



THIRD WORLD

Effect of IMF and World Bank policy

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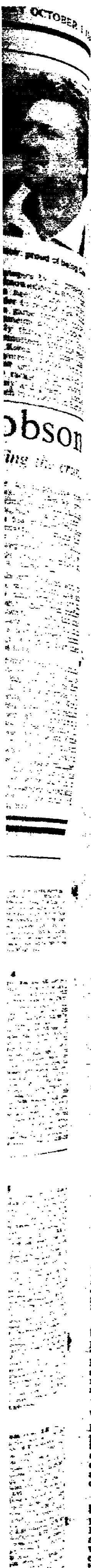
EUROPE'S BUSINESS NEWSPAPER

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World News

Thousands in anti-Pinochet election protest

Hundreds of thousands of Chileans gathered for a final opposition rally on Saturday in Santiago in support of a No-vote against General Augusto Pinochet in Wednesday's presidential election...

Stresses critical

Bavarian state Premier Franz Josef Strauss was criticised in a critical condition after suffering a heart attack during a hunting trip...

Quayle breaks ranks

Republican vice-presidential candidate Dan Quayle broke with George Bush on how to proceed in strategic arms talks...

Cinema firebombed

A fire bomb attack badly damaged a cinema in Besencon, France, showing director Martin Scorsese's controversial film 'The Last Temptation of Christ'...

Guerrillas surrender

More than 5,000 Gurkha activists surrounded arms in northeastern Bengal state, bringing to an end their two-year-long violent campaign...

Satellite stays up

Israel's first satellite launched last month will remain in orbit for two to three weeks longer than planned...

General poll date

Canadian Prime Minister Mulroney, pushing his controversial free trade agreement with the US on the line, announced a general election for November 27...

Spain's socialist poll

A majority of Spaniards believe a new eight-year defence pact between Madrid and Washington violates a 1986 referendum affirming a ban on nuclear weapons...

Israel 'Watergate'

Israeli Prime Minister Yitzhak Shamir's right-wing Likud has accused the Labour Party of conducting an 'Israeli Watergate' saying plot ahead of national elections next month...

Italy's Arc triumph

Italian owned and trained Tony Bin, ridden by Usterman Reid, won the \$835,500 Prix de l'Arc de Triomphe, Europe's richest horse race, at Longchamp...

France's Arc triumph

French voters shunned the polling booths yesterday in the second round of regional municipal elections. Early forecasts put the abstention rate at a post-war record of 52 per cent...

Drugs control quits

Haitian Lt Col Jean-Claude Fauriol, the target of US criticism after being charged in the US with conspiring to import cocaine into the country, has been retired...

Business Summary

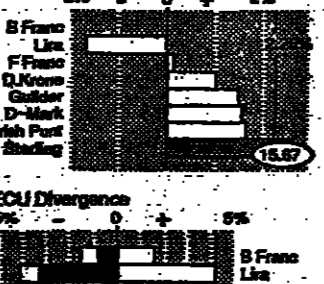
Gatt makes progress on key trade issues

BROAD consensus has been reached on several key trade issues among the 26 trade ministers meeting informally in Fukuoka under the auspices of the General Agreement on Tariffs and Trade...

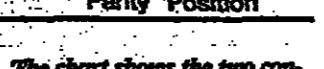
EMU Monetary System

Central bank intervention at the start of the week effectively capped the dollar's firmest trend, and EMS currencies traded for the rest of the week within a relatively narrow range...

EMS



ECU Day Party Position



The chart shows the two constraints on European Monetary System rates. The upper grid, based on the weakest currency in the system, defines the cross-rate from which no currency is allowed to move more than 2% per cent. The lower chart shows the limits of the European Currency Unit (ECU), a basket of European currencies...

Gorbachev tightens reins, vows greater democracy

By Quentin Peel in Moscow

MR Mikhail Gorbachev completed a political coup at the weekend by assuming the ceremonial role of head of state, to complement his real power as leader of the Communist Party...

At the same time he has served notice of his intention to become the country's first executive president when constitutional reforms come into effect next year...

His role as president will be to oversee the state, to represent the country abroad, to sign laws, and to appoint and dismiss ministers. He will have a veto over laws passed by the Supreme Soviet...

ON OTHER PAGES

KGB poacher turns gamekeeper, Page 4; Congratulations pour in from East and West, Page 4; Estonians call for autonomy, Page 4; Resignation of Yugoslav Politburo members, Page 4; Regime nuclear satellite declared safe, Page 4; Editorial comment, Page 22; Moscow clears obstacle to arms talks, Page 24

chev has made it clear to critics that he believes the two jobs - of party leader and executive president - should be combined...

Mr Anatoly Lukyanov, chief architect of those constitutional reforms, and just elected a candidate member of the ruling Politburo at the Communist Party central committee meeting on Friday...

Ripples spread across Eastern Europe

By Judy Dempsey in Sofia

THE SWEEPING personnel changes at senior level which appear to have consolidated the power of Mr Mikhail Gorbachev, the Soviet leader, have sent ripples across Eastern Europe...

For the same East European leaders it will mean that the link with the old regime has finally been broken. For the Bulgarians, Czechoslovaks, East Germans and Romanians, the demotion of these officials and the shifting sideways of Mr Yegor Ligachev - base of the liberals and legitimiser of communist orthodoxy - will symbolise the end of the Brezhnev era...

GKN, Westland plan helicopter joint venture

By Andrew Hill in London

GKN, the British engineering and defence company, and Westland Group, the UK helicopter manufacturer, are poised to announce a joint venture which would exploit the country's increased emphasis on the battlefield use of helicopters...

The catalyst for the agreement will be GKN's purchase this week of a 7.97 per cent stake in Westland currently held by Fiat, the Italian automobile and aerospace engineering group...

Coffee producers reach accord on export quotas

By David Blackwell in London

WEARY DELEGATES to the International Coffee Organisation talks in London finally succeeded in hammering out a deal on export quotas in the early hours of yesterday - more than 24 hours after the negotiations were scheduled to close...

The agreed total global export quota - by which the ICO aims to stabilise world prices and supplies of coffee - is for 5.6m bags of 60kg each. It will take effect immediately, replacing the one which expired on Friday night...

Pakistan court backs Bhutto

By Christina Lamb in Islamabad

PAKISTAN appears poised for a return to full democracy after a decision by the country's Supreme Court yesterday to allow the first party-based elections in more than 11 years on November 15...

President Zia, in announcing the November elections, had said these would be conducted on a non-party basis (eliminating individual candidates) and the use of party symbols would be prohibited...

The court's decision was reached in six hours, the government only conceding the use of symbols. But the Government is not challenging the ruling. Ishaq Khan hinted within days after taking office that he favoured free and fair elections...

The caretaker Cabinet also announced a list of reforms to the election laws in an effort to combat cheating and streamline the electoral process. The PPP is trying to reach agreement on allocation of seats with its much smaller partners in the Movement for the Restoration of Democracy, a nine-party umbrella alliance...

Contents

THE MONDAY INTERVIEW: Lord MacKenzie Stuart is about to retire as president of the European Court. His ardent criticism is aimed at those member states he sees playing national politics with the European Community's highest legal authority. Page 46

Large advertisement for SAA (South African Airways) featuring the slogan 'SAA The No.1 choice.' and 'We measure the miles by your smiles.' It includes an image of an aircraft and contact information for SAA offices.

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OVERSEAS NEWS

Quayle raises profile by differing with Bush

By Stewart Fleming in Washington

SENATOR Dan Quayle, Republican Party candidate for the US vice-presidency, has taken issue with his running-mate over what strategy the US should have towards Moscow in the next round of arms negotiations.

Mr Quayle said yesterday, in a New York Times interview, that agreement on cutting the superpowers' long-range strategic missiles by about half should be linked to Soviet concessions on conventional arms reductions.

Mr Quayle appears to be adopting a tactic similar to one Mr Bush has used, the latter having this year distanced himself from President Ronald Reagan on certain issues in order to enhance his stature.

A hint of the tactics the Republican Party might use to enhance Mr Quayle's standing was provided on Saturday by Mr James Baker, Mr Bush's presidential campaign chairman.

Mr Quayle will help him improve his image in the debate. A recent Times-Mirror poll shows that fewer voters (24 per cent) think Mr Quayle is qualified to be president now than at the time of his selection in August (41 per cent).

Mr Quayle's main opposition parties fear that the October 5 plebiscite could be rigged and that the Government will refuse to recognise a majority "no" vote against President Augusto Pinochet.

Chilean opposition fears rigging of plebiscite result

By Barbara Durr in Santiago

CHILE's main opposition parties fear that the October 5 plebiscite could be rigged and that the Government will refuse to recognise a majority "no" vote against President Augusto Pinochet.

Canadian PM calls poll for November 21

By David Owen in Toronto

CANADA is to go to the polls on November 21, in a campaign which will be dominated by the prime minister's still unratified free trade agreement with the US.

The pact's fate appears to rest with the ruling Conservative Party's ability to secure a second consecutive majority government - a feat they last managed in 1982.

At dissolution, the Conservatives were firmly in command of the House of Commons with 203 MPs, against 93 Liberals, 32 New Democrats, four Independents and five vacancies.

In making the election announcement, Mr Brian Mulroney, Prime Minister, invited voters to judge the government on its record.

The Conservatives have presided over a period of sustained growth in the Canadian economy. This is expected to be a main plank of their campaign, with the Meech Lake accord - which promises to

bring French-speaking Quebec into the federal constitution for the first time - and the Government's commitment to a 15-year defence build-up.

Mr John Turner, the Liberal leader, was immediately on the rhetorical offensive. "This is more than an election - this is your future."

His future as leader of his deeply indebted party will be very much on the line in the campaign. Since he lost the 1984 election, Mr Turner has twice survived attempts to oust him.

The Liberals 40-point election platform opposes the free trade agreement, advocates the introduction of tax relief on mortgages, various social justice programmes and a national holiday in February.

Mr Ed Broadbent the NDP leader, stressed "fairness" in his first campaign address. "The election is about fairness in taxes, in housing, in job opportunities," he said.

Commission to propose lower support price for beef and big intervention cut

By Tim Dickinson in Brussels

LOWER SUPPORT prices for beef and a drastic cut in the quantity of meat which the European Community will guarantee to purchase from farmers are among controversial new proposals which the European Commission is set to announce this week.

The package of measures, which includes abolishing the so-called "variable premium" subsidy so dear to British producers, provides a timely reminder that the much-heralded reforms of the Common Agricultural Policy negotiated at the emergency EC summit in February are far from complete.

The reaction from farm ministers, moreover, is likely to give an indication of the strength of the EC's commitment to further farm cutbacks ahead of the December mid-term review of the current round of multilateral trade talks in the General Agreement on Tariffs and Trade, and may well test the Commission's resolve to administer unpalatable new farm medicine in the absence of serious budgetary constraints.

regime are probably Brussels' number one farm headache at present. The surplus in the sector were first tackled by the EC Farm Council under the chairmanship of Mr Michael Joly in December 1986 when guaranteed prices were cut by 13 per cent and other efforts were made to make farmers more responsive to the market.

The reasons why these actions failed to make a major impact are still the subject of much debate in the Commission but any chance they might have had of working was ruined by the simultaneous tightening of milk quotas. The widespread slaughtering of dairy herds to keep milk production within the strict production ceilings is a major factor why the EC's "mountain" of unwanted beef is today around 750,000 tonnes, compared with less than 600,000 tonnes at the end of 1986.

Beef was never seriously discussed in the negotiations which led up to the famed price cuts and quantity restrictions bundled together in this year's much trumpeted "stabiliser" package. A modest attempt was made to tighten

up the system in the recent 1986/88 farm price talks but the Commission's plan has always been to launch a determined assault on the sector in the last part of this year.

Some details of the package have not yet been finalised but it is understood that there will be four main measures:

- The level of market prices which trigger "intervention" (i.e. guaranteed EC buying) would be lowered in an effort to diminish the importance of the system.
• A tendering system would be introduced forcing farmers to "bid" for purchases. Only the lowest prices would be accepted.
• An annual limit of 200,000 tonnes of beef would be placed on EC intervention buying. In recent years up to 400,000 tonnes annually have been piling up in Community stores.
• The variable slaughter premium - a payment only made to British farmers - would be abolished. A premium for suckler cows and specialist beef herds would be increased.

SHIPPING REPORT Tanker market boosted by high Mideast output

By Kevin Brown, Transport Correspondent

RATES rose again in the tanker market last week as demand for tonnage increased on the back of high Mideast oil output and falling prices.

Brokers said the going rate for a VLCC to the West rose by around three points. The highest reported fixture was a Norwegian-controlled ship of 300,000 tons at Worldscale 48.

There was also significantly increased demand for ultra large crude carriers, and the Saudi government agency was reported to have fixed up to five ULCCs for liftings this week.

There was plenty of demand for the smaller ships in the Mediterranean, however. Vessels of 80,000 tons were being fixed at around Worldscale 85 to northwest Europe, with a premium of up to 7.5 points to southern Europe.

Biggest political rally in 15 years urges 'No' vote

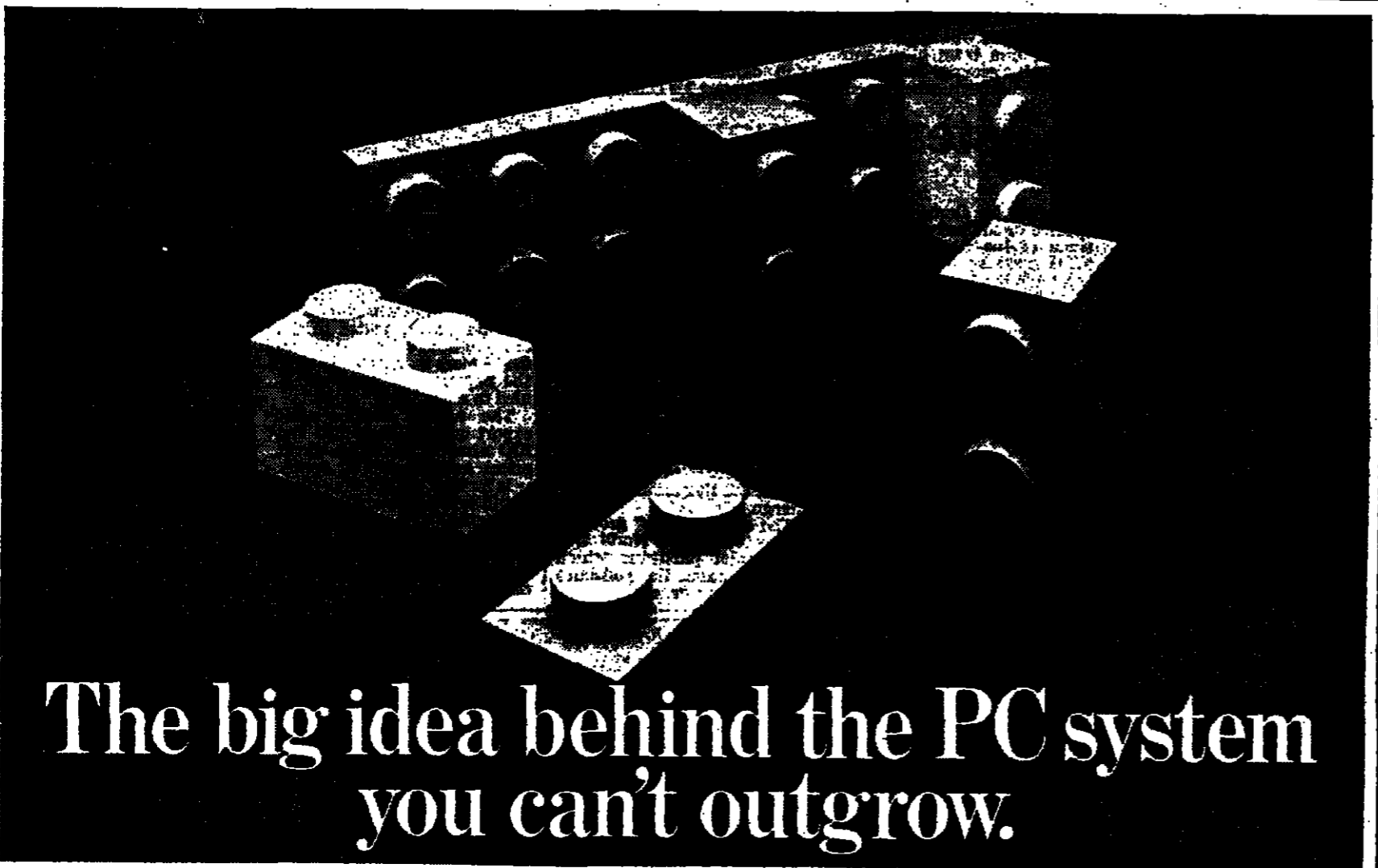
By Mary Helen Spooner in Santiago

HUNDREDS of thousands of Chileans gathered for a final opposition rally on Saturday in Santiago in support of a No vote against General Augusto Pinochet in Wednesday's presidential plebiscite.

The rally was the largest political gathering in 15 years of military government and began last week as a "march of joy" from provincial cities in southern and northern Chile, culminating along the Pan-American highway in Santiago.

continued to place campaign advertisements in the press and on radio stations.

A power cut blacked out Santiago and other cities along a 1,000-mile stretch of territory on Saturday night. Previous cuts have been attributed to bomb explosions by the Manuel Rodriguez Patriotic Front, a small left-wing guerrilla group which two years ago attempted to assassinate Gen Pinochet.



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Advertisement for Dow Jones News/Retrieval. It features a large image of a person looking at a computer screen. The text reads: 'How to get world financial news with greater currency. It's really quite simple. Just fill out and mail the coupon at the bottom of this ad. It will bring you the most current financial news in the world - the news and information that can put more currency to your pocket.'

Vertical text on the right edge of the page, including 'and E', 'mon 1', 'condi', 'Watergate', and 'National Blue Chip'.

OVERSEAS NEWS

US and EC seek common rules on semiconductors

By Louise Kehoe in San Francisco

LEADERS of the US and European semiconductor industries have agreed to develop a common set of rules governing trading in chips and to seek the adoption of "complementary government policy" towards semiconductor trade in the US and EC.

Cain claims win for Labor in Victoria

MR JOHN CAIN, Victoria's premier, claimed a narrow victory for the Australian state's ruling Labor party after yesterday's elections but the opposition refused to concede defeat, Reuter reports from Melbourne.

Mr Cain claimed victory, which would give him an unprecedented third term at the helm of Australia's second most populous state, with 30 per cent of the votes counted.

Sind's ethnic problems explode into violence

Christina Lamb on an area of Pakistan where curfew has become a way of life

IN the early 1970s Pakistan's then Prime Minister, Zulfikar Ali Bhutto, dreamed of turning Karachi, the country's biggest city, into another Beirut: a playground for rich businessmen where large deals would be struck by day, and large money spent by night.

PAKISTAN'S President Ghulam Ishaq Khan, right, has flown to Karachi to inspect the area after violence in southern Pakistan in which more than 250 people have died.

As having "turned scarlet with blood". The town ran out of coffins while urgent appeals for blood are still being broadcast from mosques.



and Punjabis, retired army officers given lucrative plots or jobs heading national concerns, and bureaucrats taking over the administration on the basis of a new law which allocated jobs on the basis of population. Punjabis making up 64 per cent of Pakistan's 104m population dominate every sector.

Koreans succumb to Moscow's charm

By Maggie Ford in Seoul

FEW could have imagined it. As the Olympics drew to a close, at event after event, Korean audiences were cheering for Soviet athletes, not to mention Hungarians, Czechoslovaks, East Germans and Romanians. As the Games progressed the applause for the Eastern bloc tended to become even more deafening if the free world's superpower was competing.



THE US and Soviet Union yesterday declared a joint war on doping and said top athletes in the Soviet Union would join a drug summit to clean up sport, Reuter reports.

Korean musicians and singers were included in Soviet musical performances in the province. The Soviet team managed to avoid scandal, with no disputed decisions or doping bans.

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'Watergate' row in Israel

By Andrew Whitley in Jerusalem

THE slow-burning Israeli election campaign burst into life at the weekend, with the right-wing Likud party accusing its main rival, the Labour Alignment, of mounting a Watergate-style spying operation against it.

National Home Loans Blue Chip Interest Rate for the period from 1st October to 31st December 1988 is: FOR HOUSE PURCHASE 13% APR 13.8% FOR REFINANCING 13.5% APR 14.4%

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Vertical text on the left margin: POSITION of sult, rally in 'No' vote, news, y.

OVERSEAS NEWS

Greetings pour in for Soviet President

MR MIKHAIL GORBACHEV, the Soviet leader, has received congratulations from western and eastern bloc governments on his appointment to the post of Soviet President on Saturday, Reuter reports.

Mrs Margaret Thatcher, UK Prime Minister, said in a message to Moscow that she hoped Mr Gorbachev's new title, with other changes he has made in his administration, will give impetus to the reforms the Soviet leader is trying to implement.

President Francesco Cossiga of Italy said he was confident that Mr Gorbachev's appointment would give a new thrust to world peace and co-operation.

The prime minister's office in Rome announced that Mr Ciriaco de Mita, the premier, will make an official visit to the Soviet Union from October 13-16. His trip will be the first to the Soviet Union by an Italian prime minister since Mr Bettino Craxi went to Moscow in May 1985.

President Chaim Herzog of Israel sent a telegram to congratulate Mr Gorbachev and urged him to move to restore relations with Israel, which were severed by Moscow over the 1967 Middle East war.

Mr Gorbachev's appointment was also welcomed by eastern bloc states.

Mr Erich Honecker, the East German leader, enthusiastically congratulated Mr Gorbachev. "In you, the Supreme Soviet has elected to the highest office an outstanding Marxist-Leninist and an internationally esteemed statesman."

President Gustav Husak of Czechoslovakia and Mr Milos Jakes, the Communist Party chief, praised Gorbachev's leadership in a telegram to Moscow and said his election would enhance the current Soviet programme of reforms.

Mr Todor Zhivkov, the Bulgarian leader, sent a telegram to urge continued co-operation and restructuring in both countries.

Mr Karoly Grosz, the Hungarian leader who has introduced widespread political and social reforms since his election in May, wished in his telegram for "further success in the consistent continuation of transformation and democratisation."

President Nicolae Ceausescu of Romania, who has not followed Mr Gorbachev's reform programme but says he has introduced his own economic and political changes, sent a telegram to emphasise the importance of cordial Soviet-Romanian relations.

KGB poacher turns gamekeeper

By Quentin Peel in Moscow

THE APPOINTMENT of Mr Viktor Chebrikov, hitherto chairman of the Soviet State Security Committee (KGB), to oversee the reform of the Soviet legal and judicial system, produced a hollow laugh when announced at an international news conference on Friday.

Of all the appointments made by Mr Mikhail Gorbachev in his big revision of the top Soviet echelon, this might well be the most curious.

Scepticism about the capacity of Mr Chebrikov, widely regarded as one of the most conservative members of the Politburo, to oversee the creation of a "Socialist state based on law", is only natural. He had been head of the feared security police since December, 1982. The KGB, by definition, operates beyond the letter of the law.

Yet the re-ordering of a series of key posts in the Soviet hierarchy suggests that the role of the KGB is being trimmed, or at least re-defined, in Mr Gorbachev's new structure.

Col-Gen Vladimir Kryuchkov, the new head of the organisation, is neither a full member, nor a candidate member, of the ruling Politburo. Instead, the security services

are represented now in that body by the uniformed branch in that Mr Gorbachev has promoted his close political ally, Col-General Alexander Vlasov, Interior Minister, to candidate membership.

Moreover, Gen Kryuchkov comes from the external branch of the KGB - the First Chief Directorate - responsible for foreign operations and intelligence gathering rather than the control of internal political dissent.

He was a very close associate of Mr Yuri Andropov, the late Soviet leader and KGB chief who prepared the way for Mr Gorbachev's reforms. Gen Kryuchkov was a third secretary in the Budapest embassy, when Mr Andropov was ambassador during the Hungarian uprising of 1956, moved with him back to the Soviet party's central committee in 1958, and again with him to the KGB in 1967.

Although 21 years in the KGB high command do not suggest that he will willingly conspire to reduce its influence, he seems certain to be more concerned with external than with internal security.

The promotion of Gen Vlasov brings another close Gorbachev ally into the top flight - he was a party official in the

Soviet leader's home base of the northern Caucasus. It also gives a restored profile to the uniformed branch of the police, discredited after years of corruption during the Brezhnev era.

If Mr Gorbachev is genuine in his determination to restore the rule of law, and prevent officials - of the government, the party or the KGB - acting outside the law, then the Interior Ministry should rank above the shadowy KGB.

Several recent indicators - albeit marginal ones - have suggested that the KGB recognises its own limitations. Mr Chebrikov said last month there should be more openness (openness) in the organisation, although "100 per cent glasnost is absurd."

A major article in *Kommunist*, theoretical journal of the Communist Party central committee by Mr Vladimir Rubanov, head of department in the KGB research institute, argued that openness ought to be the rule, not the exception.

The security service has admitted to having ordered the falsification of all maps of the Soviet Union, a practice which it says is to be discontinued. The border some restrictions have been lifted in the Soviet Far East - special limitations

by the KGB on access and movement for Soviet citizens - in a move said to be the forerunner of further liberalisation in border areas.

As for Mr Chebrikov, he has relinquished his KGB post, albeit for a more senior position as a full secretary of the central committee. Mr Andropov made the same move on his way to the top so it cannot be seen as demotion. Even so, it means Mr Chebrikov no longer has immediate call on the resources of the KGB in any attempt to slow reform. Moreover, he is taking over a portfolio with a specific mandate to ensure the future rule of law, and the independence of the judiciary. As poacher turned gamekeeper, he should know the ways in which both have been subverted.

The first test of the changes will come when the proposals for a new judicial system and a new penal code are published in the coming month. They will have been finalised and approved by Mr Chebrikov's commission.

It will take much longer to see whether the balance of power between the security services is to shift in favour of the overt uniformed branch and away from the covert operators.

Estonians call for national autonomy

A LEADER of the Estonian People's Front made an impassioned plea for self-determination for the Soviet Baltic republic yesterday, at the founding congress of the Estonian Popular Front. Reuter reports from Tallinn.

The congress, due to end late yesterday, was called to elect officials for the Popular Front, which claims up to 300,000 members since it was formed in April. It will also adopt a programme calling, in essence, for greater political, economic and cultural autonomy from Moscow.

The Estonian Communist Party, partly as a result of the front's influence, has gone further than most other parts of the Soviet Union in implementing the Kremlin's reform pro-

gramme. "The people in the Kremlin must hear what our nation believes," said Mr Heinz Valk as 3,000 delegates at the officially authorised congress rose to their feet, clapping and waving clenched fists.

"Who said nations do not have the freedom in their own hands but instead must ask for it humbly?" Mr Valk asked. "We cannot wait long for self-determination."

His words were dramatic even by the standards of the two-day congress, which has clearly demonstrated the wind of change and resurgence of national feeling in Estonia, an independent state before its annexation by the Soviet Union in 1940.

Other speakers, taking heart from changes at the weekend

in the Kremlin, seen as strengthening the impetus for reform, demanded protection for Estonian culture and language, greater religious freedom and a civilian alternative to military service.

Mr Vaino Valyas, Estonian Communist Party leader, addressed the congress yesterday, but representatives of similar movements elsewhere in the Soviet Union complained they were still harassed by party authorities. Delegates from the Soviet republics of Latvia, Lithuania, Moldova and Byelorussia - and the cities of Moscow, Leningrad and Odessa - said that their work was still difficult. Local media, apparently acting under orders from the Communist Party, did not print informa-

tion about their meetings and their members often lost their jobs, delegates said.

"The atmosphere in Lithuania is very edgy," said Mr Romandas Urzulas, a leading member of the Lithuanian Popular Front. "Force is being applied against us."

The Lithuanian group, claiming about 100,000 supporters, has organised protests against the Ignalina nuclear power station, considered unsafe by local experts long before a recent fire broke out there.

Mr Urzulas said that a rally by the movement was broken up by the authorities on September 28 and eight people were arrested. They were released after pressure from the local front.

Satellite ejects nuclear reactor to safety before re-entry

By Peter Marsh in London

THE NUCLEAR heart of the Soviet satellite Cosmos-1900 is orbiting the Earth about 700km above the surface where it will stay for the next few hundred years, says the self-of emergency planners around the wreckage.

The space vehicle, which was used for military surveillance and went out of control in the spring, had been causing

global consternation until late on Friday because of its impending re-entry to the atmosphere. The concern had concentrated on the craft's one-tonne nuclear reactor, used to provide power for the satellite's sensors.

Engineers had drawn up plans on how to contain the substantial damage that would have been caused by the

break-up of the reactor above inhabited parts of the world and the subsequent scattering of radioactive debris.

In the event, the four-tonne spacecraft spiralled into the atmosphere on Saturday, most of it burning up over the Atlantic.

The reactor was separated only hours before by an auto-

matic mechanism that lifted it from the satellite's orbit about 180km above the Earth into one 700km high.

According to space experts, late on Friday night, Cosmos-1900 ran out of the fuel needed to keep it in the correct orientation. The vehicle started to sway, a movement which triggered a pre-set ejection of the reactor.

Serbian leader's position bolstered

By Aleksandar Lebl in Belgrade

MR SLOBODAN Milosevic, leader of the Communist party in Serbia and the hero of a burgeoning Serbian nationalist movement, has reinforced his position with the apparent endorsement of his ethnic demands by federal leaders, and the subsequent resignation of another top party official.

But the organisers of a series of vast popular rallies, called to bolster Serbian demands for more power over two autonomous provinces, have given no indication that they are willing to suspend demonstrations.

There were fresh protest meetings in several towns on Saturday. Mr Boško Krunic from Vojvodina, one of the provinces whose status is in question, stepped down from the Communist Party's 14-man presidium, citing his "partial responsibility" for failing to resolve Yugoslavia's acute problems.

His resignation was apparently linked to a pronouncement by the presidium on Friday that Serbian demands were "consistent with the last party congress."

Serbian leaders want increased power over both Vojvodina and Kosovo, a southern province where Serbs accuse the ethnic Albanian majority of practising discrimination. The presidium called on the leaders of Serbia, Kosovo and Vojvodina to make urgent efforts to agree on constitutional changes.

The resistance of Vojvodina politicians to demands for a more centralised Serbia has enraged the demonstrators, and Mr Krunic was one of many politicians whose downfall they have demanded.

Earlier last week another member of the presidium, Mr Franc Setine from Slovenia, stepped down, and there has been speculation that a meeting of the federal party's central committee in two weeks' time will lead to more personal changes.

It remains unclear whether the Serbian protest movement will carry out its threat to make an unprecedented show of strength by staging a huge rally in Belgrade, which is capital of the Serbian republic as well as Yugoslavia.

A team of experts from the International Monetary Fund will today hold talks with Yugoslav officials about Belgrade's appeal for aid in the terms of the country's IMF-sponsored recovery programme.

Tibet simmers quietly as key anniversaries pass

TENSION hangs over the streets of Lhasa, the capital of Tibet, which is in the middle of a series of crucial anniversaries. Chinese and Tibetans alike are grimly recalling the days of unrest a year ago which led to the destruction of a police station and at least six deaths. In Peking, the leadership attempted to defuse the discontent by announcing last Thursday an allegedly independent new commission to run Tibetan Buddhism.

To be headed by the Panchen Lama, a spiritual leader second only to the exiled Tibetan god-king, the Dalai Lama, this will "guide" Tibetans in religious matters and be free of interference from government officials. In his statement announcing the move, the Panchen, who lives in China, attempted to pour further oil on troubled waters by claiming a close relationship with the Dalai.

But on the ground, the Chinese are getting tougher. Some 200 Chinese police armed with staves, shields and steel helmets sealed off the centre of Lhasa on Saturday, China's national day.

This week brings another important date. October 7 marks the 38th anniversary of the Chinese invasion of Tibet. A curfew has been imposed on foreign visitors. Police are patrolling the streets around Tibet's holiest shrine, the Jokhang temple.

Last Tuesday, first anniversary of the arrest of monks demonstrating for Tibetan independence, security men closed off the town's main square. About 20 Chinese and Tibetan prisoners were driven round Lhasa last Monday to a public trial in the square.

Feelings have been running high. Posters calling for Tibetan independence are regularly put up in the Barkhor avenue outside the Jokhang, and as regularly removed by police. At Ganden, a mountain monastery outside Lhasa, an English-language sign reads "Chinese Go Home."

The Tibet Information Office in Delhi said that an armed propaganda squad had arrived in Lhasa from Peking on September 3 to expel from the

monasteries monks and nuns suspected of participating in the anti-China protests last year. The statement confirmed that a demonstration had been planned for October 1, but that

Peking's policy is a mix of political conciliation and tough police tactics, reports Colina MacDougall

China had warned that Tibetans would face death if this went ahead.

Last year's riots were initially sparked by the execution of two Tibetan nationalists, on the charge that they were ordinary criminals. Anti-Chinese feeling since then has been inflamed by the repression which followed.

The riots in March this year, when a prayer festival intended by the Chinese to demonstrate freedom of religion turned into a pro-independence protest still more violent than last October's, caused at least eight deaths and perhaps many more.

The harsh Chinese clamp-down since, accompanied, according to foreign visitors, by the abduction and torture or killing of suspects, has reduced Tibet to simmering silence. Qiao Shi, key member of the ruling Politburo Standing Committee with a long career in the security service, paid an important visit to Tibet during the summer when he said opposition to China should be repressed "mercilessly."

Obviously, the most senior party official in Tibet, Wu Jinghua, was apparently replaced last year by the region's military commander, Jiang Hongquan, who is likely to favour toughness over conciliation.

One factor which may outweigh that is Peking's concern to defuse international murmuring over its occupation of Tibet. This has multiplied over

the past year. The Dalai Lama, Tibet's spiritual leader, who fled the country for India in 1959, has embarked on a quiet campaign to attract world attention to the plight of his country, now treated by China virtually as a colony.

The Dalai's campaign culminated in June with his presentation of a new initiative to members of the European Parliament at Strasbourg. He proposed a deal with China under which Tibet should have internal independence while Peking retained responsibility for foreign policy and defence.

To avoid alienating the international community, China did not reject this out of hand, though it has dismissed the idea that Tibet should have any form of independence or "semi-independence."

Last week, however, as the Dalai was due to start a visit to Denmark, the Chinese embassy in Delhi released a proposal for talks (excluding the independence issue, however) at "any place he wishes."

This was a concession by China, which has previously insisted that all talks take place in Peking, and welcomed as such by the Dalai's officials. But no talks are likely to get going until China seems likely to give some ground on autonomy.

The spiritual leader's June proposal angered militant Tibetan exiles, who hold out for nothing less than full independence and now say that while they respect the Dalai, they disagree with him. They claim to be ready to continue the fight for freedom, although how to do so appears far from clear. Any such programme would meet fierce resistance from India, now in process of improving its ties with Peking.

In the long run it is in China's interest to secure the Dalai's co-operation to pacify Tibet and enable some economic development, to which it has recently begun to pay more attention, to progress. But in the immediate future it is not likely to offer him more than a figurehead post similar to that held by the Panchen Lama. As the chances of his accepting that are nil, the present uneasy stalemate seems likely to continue indefinitely.

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Advertisement for Audemars Piguet watches. Text includes: 'TODAY, ONE WATCH REIGNS SUPREME.', 'Audemars Piguet La plus prestigieuse des signatures.', 'Watches of Switzerland Ltd HOROLOGISTS', and contact information for London, Mayfair, and Manchester.

OVERSEAS NEWS

Computer rivals meet to discuss standards battle

By Alan Cane in London

LEADING computer manufacturers from the US, Europe and Japan are to meet today near Boston, Massachusetts, to try and end a battle over standards which has divided the data processing industry and left computer users confused and irritated.

The argument concerns which version of a software program called "Unix" should be adopted by the world's computer manufacturers as a common standard.

Versions of Unix have been developed by all the major vendors but two are in contention as the basis for the worldwide standard: System V from

AT&T, the telecommunications giant, and Aix from IBM, the computer maker.

Unix was developed by AT&T which licenses it to other manufacturers to use with their computers. But a group of seven vendors formed the Open Software Foundation (OSF) to develop a competitive standard based on IBM's Aix.

Since then, there have been discussions between the two groups with the intention of resolving their differences and settling on one common version of Unix.

At the end of last week the board of the OSF met at its headquarters near Boston to decide strategy.

Drugs charge Haitian colonel forced to quit

A CONTROVERSIAL and powerful figure in the Haitian military, Lt Col Jean-Claude Paul, has been retired from his post, AP reports from Port-au-Prince.

Col Paul has been a target of US criticism after being charged in the US last March with conspiring to import cocaine into the country, a charge he has denied.

Popular with his troops, Col Paul was so far the only major unit commander to cling to office after last month's ousted men's coup that overthrew Haitian ruler Lt Gen Henri Namphy and placed Lt Gen Prosper Avril in power.

A brief announcement on state-run television said Col

Paul was retired from the army and his post as commander of a key barracks.

One diplomat described Col Paul's dismissal as a "masterstroke". There were predictions the US government would respond with a resumption of its \$60m a year aid package, which was cut off after last year's election-day massacre, when thugs killed 34 people at the polls.

"The situation is positive and encouraging," a US embassy official said.

Soldiers who staged the coup against Gen Namphy said they originally wanted to name Col Paul as armed forces chief, but decided not to because of the drug charges.

Horizons widen in export credit insurance world

Peter Montagnon describes how a normally sedate sector is waking up to the post-1992 realities

A SHAKE-UP is looming in the normally sedate world of export credit insurance as official agencies and private sector companies gear themselves up for the advent of the single European market in 1992.

Long used to working within carefully defined national boundaries, export credit insurers have begun to realise that 1992 poses a difficult challenge as, for the first time, they contemplate the development of genuine trans-national business. Mr Harry Groen, chief executive of the Dutch export credit agency NCM, says that in the context of 1992 "it would be unthinkable for the market to remain the same as it has in the 1980s."

Leading players in the market like Mr Groen are still far from certain about what exactly will happen after 1992, but a consistent theme of their conversation is that cross-border competition will intensify, that the private sector is better placed than state-run agencies to take advantage of the new opportunities, and that the largest potential losers are therefore organisations such as Britain's Export Credits Guarantee Department (ECGD) which is an arm of government.

It was largely for this reason that the ECGD initiated a far-reaching review of its status earlier this month which is to confront head-on the long-debated question of privatisation. Elsewhere, other agencies in both the private and public sector are re-examining their own futures.

Their soul-searching has been made more difficult, how-

ever, by the multiplicity of institutions involved in the credit insurance business. On the one hand are public sector agencies such as the ECGD which are obliged by statute to support national exports. On the other are schemes such as those best represented by NCM and Hermes, the West German insurance concern. Both are private sector credit insurers that reinsure some risk with their own national governments.

Waiting in the wings are also some major private sector export credit insurers, such as Britain's Trade Indemnity, and domestic credit insurance concerns, such as West Germany's Allgäuerische Kredit, which might be tempted to enter the international market as a result of 1992.

Inside the ECGD itself, the fear is that foreign firms will enter the UK market, using their own home country expertise to prise business out of British exporters to their country. The ECGD, which is restricted by statute to supporting British exports, could not reciprocate in kind because that would involve supporting the exports of another country.

At stake is not so much long-term political risk insurance on export credits but the generally more lucrative, if lower profile, high volume business involving commercial risk insurance on trade within the EC itself.

Such business has been a mainstay of official export credit agencies which insure manufacturers against default due to bankruptcy of their foreign clients. At the ECGD, EC-

related business accounts for some 60 per cent of its total short-term portfolio under which it provides cover on some \$1bn worth of UK exports a year.

Mr Malcolm Stephens, its chief executive, acknowledges

generally operate outside continental Europe at the moment, is generally regarded as being the most aggressive in this respect.

Mr Groen denies rumours that it is planning to set up an office in London, but in general terms he is unequivocal about his company's determination. "The Netherlands is a rather small economy," he says. "Our home market is only 30,000 companies and we are the number three in terms of premium income among credit insurers. It's not my intention to be a subsidiary of another insurer."

NCM's advantage is that although it acts as the Netherlands' official export credit insurer, it is structured as a private company and already writes credit insurance in its domestic market.

Hermes, which is structured along similar lines to NCM, will not go into detail about its plans for 1992. However, to improve its own flexibility, Hermes earlier this year secured the right to insure the commercial risk attached to export credits on its own account rather than under its mandate from the federal Government in Bonn.

Even less clear are the plans of Coface, France's state export credit insurer which is a state-controlled company that has traditionally worked for the government and does not underwrite domestic risk. Market reports say that Coface has discreetly stepped up its contacts with the private market, possibly with the view to considering new forms of collaboration.

Yet the private sector is not likely to have things all its own way. According to Mr Terry Bridgman, assistant general manager of Trade Indemnity, the UK company which has emerged as a significant competitor to the ECGD, new EC regulations will mean that private sector insurers will have to put up reserve requirements on their business while state-owned concerns will not.

For its part Trade Indemnity is looking to expand abroad. The company does not intend to open offices on the Continent, but will operate there through brokers.

Mr Bridgman believes that the main thrust for new business will come in the large markets of France, West Germany and Italy. Most cross-border business initially is likely to concentrate on bigger companies offering high turnover while smaller companies will be left to national insurers.

The danger is that increased competition could lead to a damaging premium war, particularly if the total market does not expand. Mr Bridgman adds: "In coming years there will be a concentration of insurance companies."

So far the question of whether intra-European business will be definable as exports after 1992 has remained a highly theoretical one. But an agency like the ECGD, which relies heavily on intra-European business, would be hard hit if, as some legal experts suggest, it would no longer be able to apply a government guarantee in this sector after 1992. Mr Stephens says there is nothing to pre-

vent it from continuing to do so, but another leading insurer to cast doubt on this is Mr Roberto Ruberti, head of SACE, Italy's state export credit insurer.

"Will there be such a thing as a British or an Italian exporter after 1992?" he asks. "I don't think enough thought has been given to this question."

If a single European market really does develop after 1992, there should not be any substantial distinction between an Italian export to, say, Iraq or a UK export to the same country. Both should count as European exports, he says.

Currently, however, there are widespread differences in conditions attaching to such cover. In the interests of fair competition after 1992, the major state export credit agencies such as the ECGD, SACE and Coface will have to work much harder to harmonise their policies.

Ultimately, Mr Ruberti believes such a harmonisation could evolve into one pan-European official export credit agency responsible for insuring all Europe's overseas business. To many others such an idea remains an impracticable pipe dream.

Closer to reality, however, may be a vision of a European market where short-term Community business is increasingly handled by large private sector companies encroaching beyond their national borders, while the once-powerful state agencies are pushed inexorably towards the less attractive business of insuring loans to the developing world.

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ACP call for fundamental review of trade relations with EC

By Peter Montagnon, World Trade Editor

THE FORTHCOMING renegotiation of the Lomé Convention must involve a fundamental reappraisal of trade and aid relations between the European Community and developing countries in Africa, the Caribbean and the Pacific (ACP), says Mr Edwin Carrington, ACP Secretary General.

The background of Europe's plan for a single market in 1992 and the Uruguay Round of multilateral trade liberalisation talks means "we are facing probably the most crucial negotiation since we entered this relationship with the EC,"

he told a London conference.

Mr Carrington used the conference, organised by the West India Committee, to list several wide-ranging concerns ahead of the opening of formal renegotiation proceedings in Luxembourg next month.

The new convention had to bring development prospects to the ACP countries which existing arrangements have failed to deliver, he said. The 66 countries which made up the ACP covered half the developing world, but, despite 25 years of preferential treatment from the EC, not one had climbed

into the league of newly industrialising economies, he said.

From now on emphasis had to be placed on the ability of ACP countries to process the commodities they produced rather than helping them with infrastructure and preferential access for their raw products to European markets.

The signs of such a shift in direction were "not particularly good," he added. "The word 'manufactures' is alien to the Lomé Convention."

Mr Carrington added he was worried about the EC's failure so far to agree among itself on

a mandate for renegotiating the convention. The rich countries of northern Europe were opposed to increasing aid and the poorer countries of southern Europe were against further trade concessions.

"We are caught somewhere in between - between a rock and a hard place," he said. Meanwhile, the importance of the ACP countries to the EC was diminishing as its trade with Latin America and Asia increased.

The preferences ACP countries enjoyed in their trade with Europe would be eroded by multilateral concessions, particularly on tropical products, made in the Uruguay Round.

"The hope is that what we lose on the EC roundabout will gain on the rest of the world's swings," he said, but there were no assurances and the EC should be prepared to compensate for this in the Lomé negotiations.

In contrast with EC officials who argue that there is little further room for trade concessions under a new Lomé Convention, Mr Carrington listed a range of trade-related subjects

that he said had to be addressed if ACP countries were to succeed in stepping up their ability to process raw materials at home.

These included improvements in the EC's rules of origin which, as currently defined, penalise ACP countries who seek to procure industrial components and raw materials from suppliers outside the EC and ACP. But he also expressed great concern over the growing tendency of the EC to concentrate on structural adjustment in its aid spending.

WORLD ECONOMIC INDICATORS						
INDUSTRIAL PRODUCTION (1985 = 100)						
	Aug '88	July '88	Jun '88	Aug '87	% change over previous year	
US	111.7	111.48	110.88	106.1	5.3	
UK	110.3	109.9	109.5	107.1	3.0	
W. Germany	105.0	107.4	104.4	101.8	3.1	
Japan	111.3	112.3	108.7	103.2	7.8	
France	106.9	106.0	104.0	103.0	3.9	

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Engineering trade deficit 'may double this year'

By Peter Marsh

THE ENGINEERING industry may double its trade deficit between 1987 and 1988, according to a forecast today by the Engineering Employers' Federation.

While exports of the sector as a whole have been expanding at a reasonable rate, engineering imports are predicted to rise from £38.47bn last year to £45.21bn in 1988.

That would lead to the trade deficit rising to £8.37bn this year, compared with £4.18bn in 1987. The federation forecasts a further rise in the deficit in 1989 to £9.65bn.

Much of the deterioration in the trade figures for the sector, which is reported in the latest edition of the federation's bulletin on economic trends, are the result of increased import penetration in motor vehicles.

In that sector, the deficit is expected to increase by nearly £2bn, from £1.09bn to £3.09bn between 1987 and 1988.

The mechanical engineering sector has also performed badly from the point of view of the trade balance - a positive

balance of £1.4bn for 1987 is likely to be replaced by a slight deficit this year.

Mechanical engineering covers a range of individual sectors of business, including machine tools and other production equipment.

Imports of such equipment may, say some economic commentators, eventually benefit Britain's overall trade balance by helping to stimulate exports of finished goods.

The remainder of the deterioration in the overall trade figures of the engineering sector is accounted for by relatively small fluctuations in the net balance between imports and exports in the case of three other individual parts of the business - electrical and instrument engineering, metal goods and transport equipment unrelated to motor vehicles.

As far as output of the engineering sector is concerned, the twice-yearly bulletin says prospects are generally good. However, production, which has grown significantly in the past two years, is likely to increase less rapidly over the

next 18 months - largely as a result of high interest rates, according to the federation.

The bulletin says the high rates will lead to a reduction in the rate of increase in consumer spending and make new investment projects in the engineering industry less likely.

Total output of the industry in 1988 is likely to be £107.63bn, compared with £95.64bn last year. Sales are due to rise further to £117.66bn in 1989.

The figures mean that expansion of the industry, measured at constant prices, is likely to proceed at roughly half the rate over the next 18 months compared with the past 18 months. Companies selling aerospace and electronics equipment are likely to record good sales increases, while prospects for sectors involved with motor vehicles, instruments, metal goods and mechanical engineering are less good.

Engineering Economic Trends, Engineering Employers' Federation, Broadway House, Tottill St, London SW1H 9NQ.

Welsh extremists bomb estate agents

By Ian Hamilton Fazey

WELSH nationalist extremists carried out seven near-simultaneous fire-bomb attacks on estate agents' offices in English villages, towns or cities near the border during the weekend, but caused only minor damage. No one was injured.

The attacks, which follow similar but isolated incidents earlier this year, are believed to be part of a campaign against English people buying homes in Wales.

Their significance is that they were spread over the full 140 miles of border between Merseyside and Bristol - having a greater propaganda effect - and must have involved several conspirators.

An organisation calling itself the Sons of Glyndwr claimed responsibility for the attacks in telephone calls to the Samaritans in Chester and the Press Association.

The properties are advertised and sold in England, particularly in better-off areas within easy reach for weekend use as second homes, and are in great demand.

Rising prices have been making it difficult for young Welsh locals to get into the market.

Gwent, in South Wales, has been particularly affected because the M4 and high-speed rail links have greatly improved accessibility to London.

Young married couples are having to look in poorer parts of Wales or England if they want to start on the house-owning ladder.

The attacks all appear to have been timed for about 11 pm on Saturday.

Two were made in the Wirral peninsula in small towns facing North Wales across the Dee estuary, two in Wellington, Shropshire, one in Worcester, one in Chipping Campden, Gloucestershire, and one in Bristol.

They appear to have been placed symbolically near the main roads into North, South and mid Wales, and in upmarket high streets.

Investigations are being co-ordinated by a Special Branch officer attached to Merseyside Police Force.

Top merchant banks ranked

By Martin Dickson

SCHRODER WAGG and S. G. Warburg were the leading merchant banks advising UK companies on takeover bids in the first nine months of this year, according to league tables compiled by FT Mergers and Acquisitions, a monthly magazine.

Schroder Wagg ranked first in a table covering bids for publicly quoted companies, advising on completed deals worth £7.17bn. In the comparable league table for the whole of 1987 it ranked third.

S. G. Warburg ranked second - the same position as last year - in this category of bids, advising on deals worth £6.6bn. Morgan Grenfell, which for many years dominated takeover league tables, is in third place, with N. M. Rothschild fourth.

However, the table does not include advisers who may have helped a company in a bid yet not been named in the takeover literature. It also allows

Bank	1987 full year position	value of bids £m
1 Schroder Wagg	3	7,172
2 S.G. Warburg	2	6,632
3 Morgan Grenfell	1	4,953
4 N.M. Rothschild	11	4,085
5 Kleinwort Benson	4	3,506
6 County NatWest	9	2,806
7 Lazard Freres	6	2,755
8 Shearson Lehman	-	2,568
9 Samuel Montagu	7	2,040
10 Lazard Freres (NYK)	15	2,040

all named advisers the full value of the bid, rather than dividing it among them.

A second table, adjusting for these factors, shows S. G. Warburg as the leading adviser, followed by Schroder Wagg and Goldman Sachs, the US investment bank, which has had some involvement in several large deals this year.

Large bids in which Schroder was involved include BP's £2.5bn offer for Britoil and the unsuccessful defence of Rowntree against Nestlé. Warburg advised Jacobs Suchard in the three-cornered fight for Rowntree and was also joint adviser to Goodman Fielder Wattie, the Australian group, in its bid for Ranks Hovis McDougall.

Swift and Reuter drop global risk venture

By Alan Cane

A JOINT venture in electronic global risk management between Swift, the organisation that runs the international banking community's computerised messaging system, and a subsidiary of Reuter, the world's largest electronic publisher, has been abandoned after 18 months without a single sale.

The joint company, called Georisk, was formed by Swift and I. P. Sharp, a computing services company that operates an international data network and was bought by Reuter in April 1987.

Electronic global risk management, whereby an organisation can examine, assess and modify its exposure to risk across the world on a moment-to-moment basis, has assumed increasing importance as financial institutions have come to terms with the consequences of serious financial disjunctions such as the 1987 collapse in the world's stock markets as well as increasingly stringent capital adequacy requirements.

Swift and Reuter intend to stay in electronic risk management but will go their own ways. Swift will retain the rights to the Georisk name. It will announce at Sibos, its annual conference which opens tonight in Vienna, that it intends to develop a new range of global risk management products. It intends to go well beyond the limits of Georisk's existing product, Stream, and cover the entire spectrum of treasury instruments from foreign exchange and guarantees to term loans.

Reuters is expected to announce plans soon for a new global risk management service.

The original Georisk product was based on a comparatively early I. P. Sharp design, the Global Limit Control System (GLCS) installed at Deutsche Bank, Credit Suisse, the Bank of Montreal and three others.

It proved too simple to meet the increasingly sophisticated needs of international treasurers, industry sources claim. The Bank of Montreal is now using a global limits system marketed by General Electric Information Services of the US.

Inquiry urged into killings in Gibraltar

AN INQUIRY should be launched into the SAS killing of three bomb-pit terrorists in Gibraltar to prevent the IRA being handed a "propaganda coup", Mr Peter Barry, Ireland's opposition foreign affairs spokesman, said yesterday.

Mr Peter Barry, of Fine Gael, said he had little sympathy for the dead terrorists, but added that he wanted an inquiry to reinforce the rule of law.

He said questions about the shootings on the Rock remained, in spite of the verdict of lawful killings returned by an inquest jury on Friday.

He also supported the British Labour Party's call for the inquest now to be followed by a more thorough inquiry into how the IRA trio died.

Speaking on BBC radio, he said: "I do not want to drag down the security forces in any way."

Avoiding a full judicial inquiry, Page 29

Government will outline initiatives on pollution

By Peter Riddell, Political Editor

A CONSULTATIVE document outlining government initiatives towards pollution control and the environment will be published during the winter.

Mrs Virginia Bottomley, a parliamentary under-secretary at the Department of the Environment, yesterday confirmed in a BBC television interview that a consultative exercise would be undertaken.

She referred to the integration of policy and inspection concerning water, land and air issues.

Among the topics expected to be reviewed are action on the importation, processing and discharge of waste, acid rain and pollution control.

The intention to produce such a consultative document was reached well before Mrs Thatcher's unexpected speech last Tuesday to the Royal Society in which she highlighted the damage done to industrial societies by environmental

problems.

Department of Environment ministers were surprised as commentators by the speech, although there has been an increased tempo in recent months in government activity concerning "green" issues.

Mr Nicholas Ridley, the Environment Secretary, stressed last week how much Britain had already done to tighten up environmental controls in line with international standards.

No decision has yet been taken on whether the consultative document should be followed by legislation; the earliest this might happen would be in the 1989 to 1990 parliamentary session.

However, ministers are aware of the growing political importance of environmental issues, which have been stressed by opposition politicians in the current party conference season.

Corner shops resist inroads of multiples

By Maggie Urry

CORNER shops selling confectionery, tobacco and newspapers - called CTNs in the trade - are practically the only type of retailer that has resisted the march of the multiples, according to a report on the sector by Verdict Research.

The secret of their success has been their domination of newspapers and magazines. Because such goods are not subject to price-cutting and the trade has not been lost to supermarkets to any large extent, CTNs should continue to succeed, Verdict predicts.

However, the company believes there will be some gradual increase in the multiples' share of the £2.4bn market in coming years.

There are about 45,000 CTNs in the UK with independents owning about three quarters, Verdict reckons. Shop numbers have been relatively stable, falling from 48,000 in 1976.

On average, a CTN makes 41 per cent of its gross profits from newspapers and magazines, 12 per cent from tobacco and 12 per cent from confectionery.

Verdict on CTNs, Verdict Research, 112 High Holborn, London WC1 6JS, 0459.

Study reveals trend in corporate finance

By David Lascelles, Banking Editor

UK COMPANIES are beginning to concentrate more of their financing business with banks that provide a broad range of services, including capital markets and corporate finance services, rather than with specialist banks.

That is the main conclusion of a new survey of the corporate finance industry in the UK by Greenwich Associates, one of the leading research companies in the financial services market.

The Greenwich study, based on interviews with 565 users of banking services, shows that clearing banks are benefiting most from this trend.

The study adds weight to the view that groups that have tried to combine securities activities with their more traditional corporate finance and commercial banking operations in the past few years will gain a competitive advantage.

Although the report does not name any institutions, they would include clearers such as Barclays and NatWest, which have entered the securities business in a big way since the liberalisation of the Stock

Exchange in 1988

The opposing view holds that UK companies will prefer to deal with smaller, independent houses where they get more personalised service and where there is a lesser danger of the bank suffering from conflicts of interest.

However, Greenwich's findings are not clear-cut. The survey shows that UK companies are not pressing banks to widen the range of their services, but that, in practice, they are tending towards banks that offer integrated commercial banking, merchant banking and brokerage services.

Mr Allan Munro, one of the consultants who prepared the report, said: "Universal banking may not have arrived in Britain, but it is clearly on its way."

"Although UK companies are neutral on the theory, they are positive on the practice. And the financial institutions that are becoming universal are the major beneficiaries."

Major Staffs, Big Comeback, Greenwich Associates, Office Park Eight, Greenwich, Connecticut 06830, USA.

Government will outline initiatives on pollution

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Mrs Virginia Bottomley, a parliamentary under-secretary at the Department of the Environment, yesterday confirmed in a BBC television interview that a consultative exercise would be undertaken.

She referred to the integration of policy and inspection concerning water, land and air issues.

Among the topics expected to be reviewed are action on the importation, processing and discharge of waste, acid rain and pollution control.

The intention to produce such a consultative document was reached well before Mrs Thatcher's unexpected speech last Tuesday to the Royal Society in which she highlighted the damage done to industrial societies by environmental

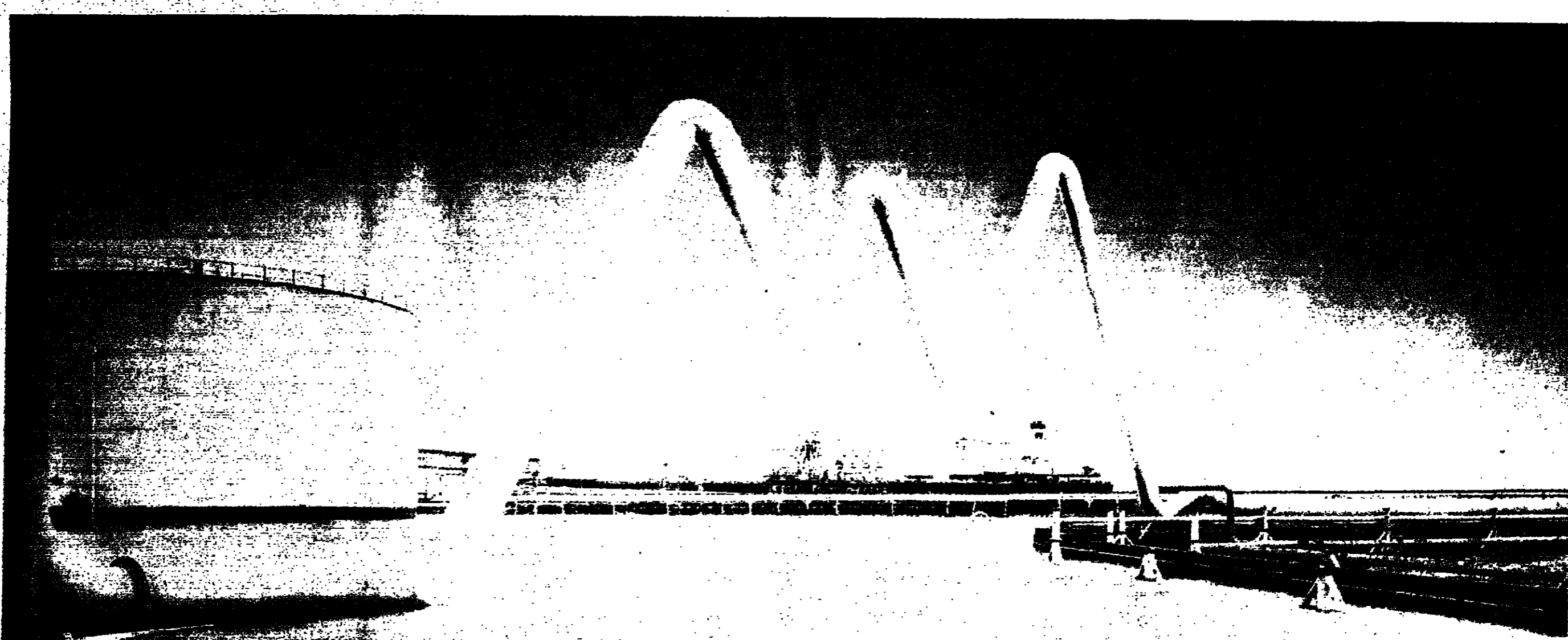
problems.

Department of Environment ministers were surprised as commentators by the speech, although there has been an increased tempo in recent months in government activity concerning "green" issues.

Mr Nicholas Ridley, the Environment Secretary, stressed last week how much Britain had already done to tighten up environmental controls in line with international standards.

No decision has yet been taken on whether the consultative document should be followed by legislation; the earliest this might happen would be in the 1989 to 1990 parliamentary session.

However, ministers are aware of the growing political importance of environmental issues, which have been stressed by opposition politicians in the current party conference season.



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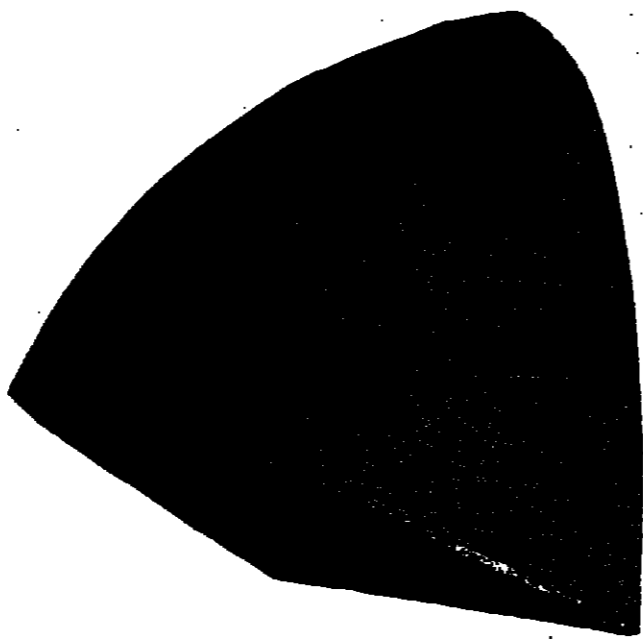
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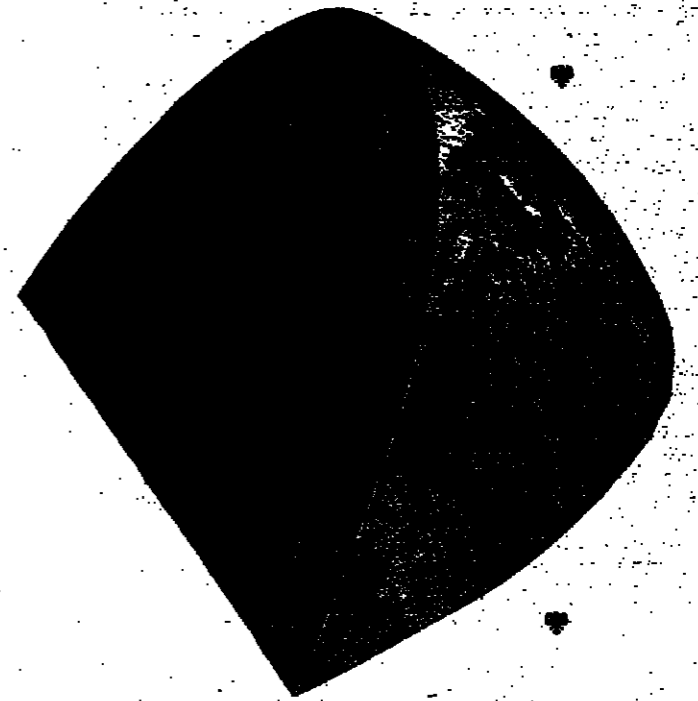
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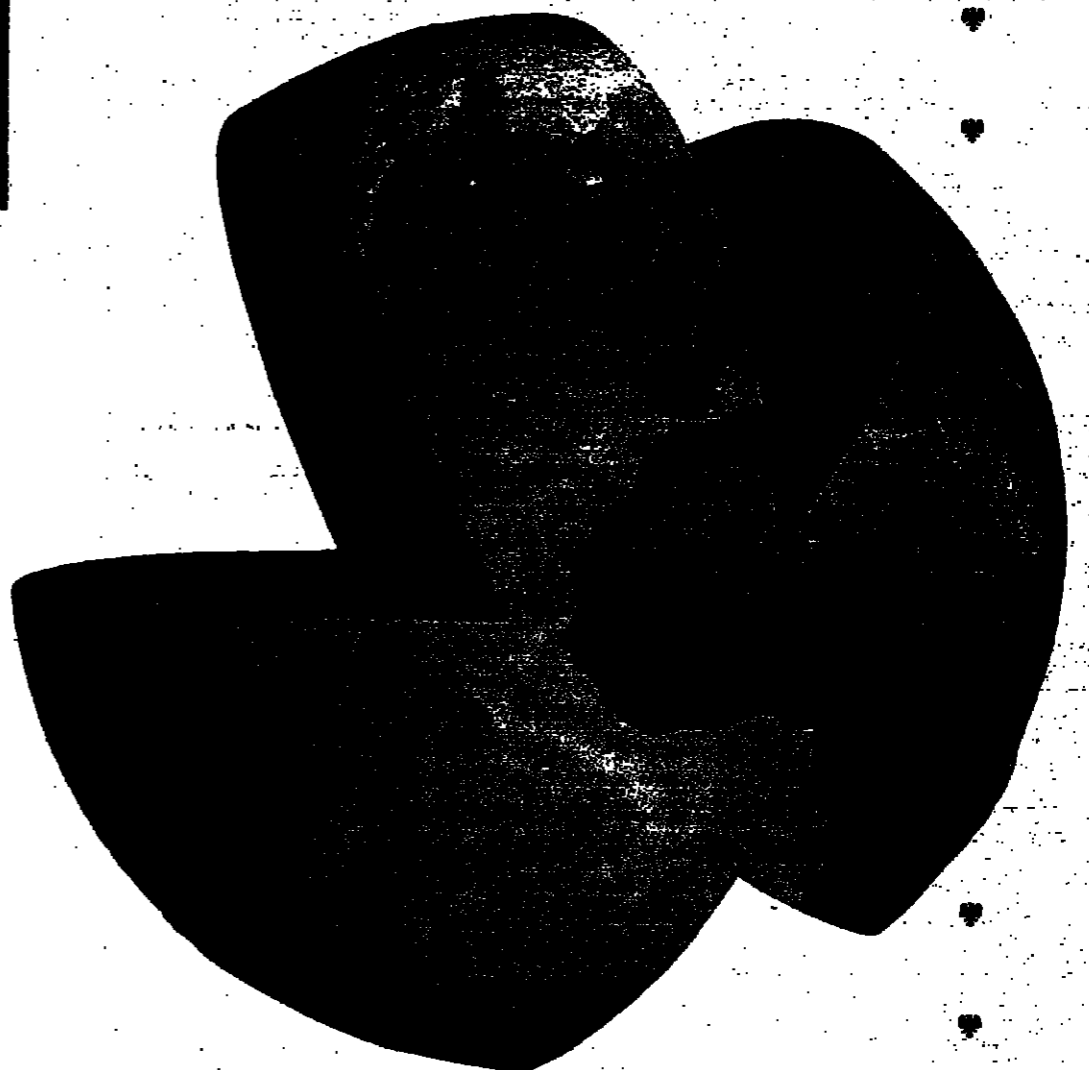
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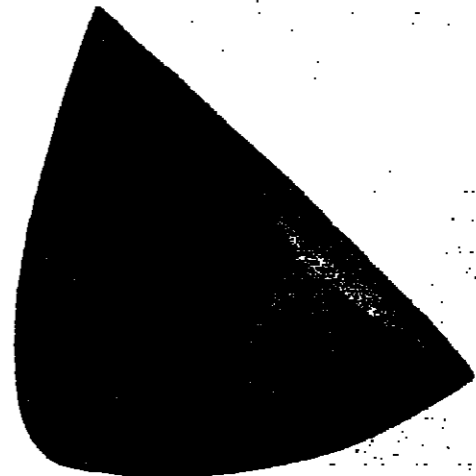
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UK NEWS

LABOUR PARTY CONFERENCE IN BLACKPOOL

Kinnock keeps leadership with decisive 88.6% vote

By Michael Cassell and Peter Riddell in Blackpool

BRITAIN'S opposition Labour Party confirmed Mr Neil Kinnock as leader yesterday by a landslide vote. Last night, he described his "great victory" as a mandate from his party to win the next general election.

On the opening session of the party's conference in Blackpool, north-west England, Mr Kinnock won 88.6 per cent of the vote in an electoral college comprised of trade unions, constituency parties and Members of Parliament. Mr Tony Benn, his hard-left challenger, captured only 11.4 per cent.

Mr Roy Hattersley, the deputy leader, also won re-election, taking 66.8 per cent of the vote. Mr John Prescott, the party's energy spokesman, won 23.7 per cent and Mr Eric Heffer, who ran for the deputy leadership alongside Mr Benn, captured only 9.5 per cent of the vote.

Their comfortable wins were widely expected and, although the reception was warm from most delegates, it was less enthusiastic than when the two men were originally

elected five years ago. The scale of the victories reflected not only the predicted support of most trade unions and of Labour MPs but also a high level of backing from constituency parties, particularly those which had held ballots of their members.

The result has isolated the party's hard-left and given an important boost to the leadership's attempt to update Labour policy and organisation.

Mr Kinnock said immediately after the results were announced that the size of the victories represented "a great honour, a great trust and a great duty too."

Mr Prescott said the party had spoken quite emphatically in wanting to keep the present leadership. He would not challenge Mr Hattersley again in the current parliament.

Mr Kinnock's personal victory will provide him with powerful ammunition throughout the week as the leadership attempts to win approval for the first stage of two-year review intended to prepared

Labour for the next general election.

There was early confusion and some embarrassment for the leadership when the national executive committee accepted for debate a resolution which left-wingers claimed would, if passed by conference, end Labour's support for Nato and overturn its pledge to strengthen conventional forces in favour of nuclear weapons.

Both Mr Kinnock and Mr Hattersley supported a recommendation from party officials to have the resolution reworded so it could be injected with other proposals into the current review of defence policy.

Other members of the National Executive Committee (NEC) complained that, having been advised the resolution contained no change in party policy, there had been no adequate explanation as to why it should not go to conference.

The NEC voted 19-12 to accept it. Mr Kinnock also received encouragement from a Sunday newspaper poll which showed Labour only five points behind the ruling Conservatives.

Unions call for end to annual election

By Charles Leadbeater in Blackpool

SENIOR trade union leaders yesterday signalled they want to end the annual election for the Labour Party leadership.

While such a move would be welcomed by Mr Neil Kinnock, and Mr Roy Hattersley, it seems likely they could this week face several clashes with the left-led Transport and General Workers' Union (TGWU) over the development of the party's policy reviews.

Union leaders almost unanimously accused Mr Tony Benn and Mr Eric Heffer of diverting the party with their challenge for the leadership.

Mr Ron Todd, the TGWU's general secretary, yesterday indicated he favoured a rule change which would require a contender to win the support of 20 per cent of the party's MPs before they could run.

Mr Bill Jordan, the Amalgamated Engineering Union president, said he supported moves which would ensure there could only be one leadership election in a Parliament.

However, Mr John Edmonds, General Municipal and Boilerworkers' union general secretary, said the size of Mr Kinnock's majority meant such constitutional changes would be a diversion.

While the TGWU yesterday backed the Kinnock-Hattersley ticket, Mr Todd said there was disquiet over the policy reviews. The conference was the party's policy-making body and this week's decisions should set criteria which the policy reviews should meet in their final reports for next year's conference, he said.

IBA explores plan for independent national editor

By Raymond Snoddy

THE INDEPENDENT Broadcasting Authority (IBA) is exploring a new form of regulating commercial television in the UK, including the creation of an independent national commissioning editor which could be as high as £600m a year.

The IBA is looking at the proposals in advance of planned government legislation which is expected to replace the Authority by a commercial television organisation to regulate cable and satellite, as well as conventional television.

Sir Donald Maitland, deputy chairman of the IBA, said yesterday: "What we are talking about is putting a system in place which could be used by any successor authority, something that could usefully anticipate the future."

Sir Donald, a former UK permanent representative to both the United Nations and the European Community, has put forward the radical proposals but the Authority has accepted they are worth exploring.

The new system, which could be implemented by 1990 for the last three years of the existing Independent Television (ITV) franchises, would

involve less detailed prior regulation by the IBA.

A new national commissioning editor and staff would have the power and the budget to commission the programmes needed for the ITV network from both the independent television companies and independent producers.

The new commissioning system would be independent from the IBA and might be organised under the aegis of the ITV Association, the trade body representing all the associated companies.

At the same time as creating a commissioning editor "to crack heads together" and end the perpetual squabbling between the 16 companies, more responsibility would be given to the ITV system.

The IBA would continue to exercise its statutory responsibility for what is shown. What had been seen as the IBA's excessive interference in programme scheduling would end if the new proposals, which it is not thought would require legislation, are accepted.

"It's a mature system. The companies deserve to be given more responsibility and for the IBA to have more confidence in them," said Sir Donald.

Mandate to modernise despite seeds of doubt

Michael Cassell on tasks facing the Labour leader as he defeats his internal critics and sets about broadening the party's appeal

Mr Neil Kinnock's predictably overwhelming victory against Mr Tony Benn for the Labour Party leadership will now leave him free to pursue the task of modernising his party's appeal.

Though the outcome was never in question, the contest underlined the electorate's impression of a divided party and managed to sow seeds of doubt among some of his parliamentary team about Mr Kinnock's ability to deliver a Labour government.

Having seen off his internal critics, he will return to Westminster, where his parliamentary performance in handling Mrs Thatcher will be expected to prove equally skilful.

Yesterday's result, whatever lies ahead for Mr Kinnock, has resoundingly confirmed the peripheral influence of Labour's extreme left, even though its adherents were already making it clear before the votes were announced that they would not give up the fight.

If Mr Kinnock fails now, he will not be able to blame the left.

In the meantime, the newly-endorsed leader will this week push through party rule changes making it very much more difficult for the parliamentary party to mount a challenge against him.

Mr Kinnock is unlikely to be a generous victor, given his anger over the challenge and the left's capacity to inflict damage on the party's standing. He will feel no need to react to their persistent criticisms over his leadership style and the direction he is taking the party.

Mr Kinnock's most likely reaction will be to ignore the Tony Benn-Peter Heffer axis altogether, although his colleagues at Westminster are anxious to see how far he will be prepared to bury the hatchet with Mr John Prescott, following his respectable but ill-fated challenge to Mr Roy Hattersley, Labour deputy leader.

Mr Prescott remains bitter at the way he was treated by the leadership in its attempts to prevent him from standing and he has proved there is a significant measure of support for him in the country.

He says he would not be surprised by an attempt to have him removed from the Shadow Cabinet in the forthcoming elections at Westminster. If he stays on board, Mr Kinnock's choice of portfolio will be closely watched.

As for the party leader, Mr Kinnock's problems are by no means over. If the findings of the latest batch of opinion polls are to be believed.

According to a Gallup poll in yesterday's Sunday Telegraph newspaper, only one voter in four expects Labour to form a majority government within the next 10 years. Gallup says nearly half the electorate - including 29 per cent of Labour voters - never again expect it to hold power on its own.

At the same time, 67 per cent of voters believe the party is poorly led, although 40 per cent backed the Kinnock-Heffer ticket as the best leadership team. Among Labour voters the figure was 44 per cent, well ahead of any other alternatives.

Asked what Mr Kinnock should do if he cannot manage to boost the party's fortunes over the critical next 12 months, 23 per cent said he should stay on as leader, a figure rising to 33 per cent among Labour supporters.

Another 39 per cent say he should offer himself for re-election (40 per cent among Labour voters) and 30 per cent believe he should resign (20 per cent of Labour persuasion).

A Harris poll for TV-am, the morning television station, also underlined the electorate's perception of a party unlikely to win power. The poll showed the Conservatives or Tories on 49 per cent, still 12 per cent ahead of Labour and it suggests that 60 per cent of voters believe Labour cannot win the next election. Only 31 per cent believe it has a chance of beating the Tories.

There is some encouragement, however, in an opinion poll conducted by Market & Opinion Research International (MORI) for the Sunday Times newspaper, which suggests the gap between the two main parties has narrowed.

Last month, the Tories stood 14 per cent ahead of Labour but now the gap is down to 5 per cent, with the Tories on 44 per cent and Labour on 39 per cent.

Mr Kinnock's job is to complete his policy review this time next year and to begin building up the party in preparation for the next election. If the polls still fail to paint a brighter picture, then he could eventually face a more serious challenge to his position than the one he has just routed.

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Notice to the holders of the Redeemable Preference Shares ("RDPS") of Mezzanine Capital Corporation Limited ("Company")

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN to the holders of the Redeemable Preference Shares ("RDPS") of Mezzanine Capital Corporation Limited ("Company") that the Annual General Meeting of the Company will be held at 11.00 a.m. on the 20th day of October, 1988, at the offices of the Company, 11th Floor, 27th October, 1988.

- 1. To receive and consider the Accounts and Reports of the Directors and Auditors for the year ended 31st May, 1988.
2. To declare a final dividend of US\$0.2572 per Participating Redeemable Preference Share to be payable on 20th October, 1988.
3. To re-appoint Messrs. Price Waterhouse as Auditors of the Company and to authorize the Directors to be their remuneration.
4. As a Special Business, to consider and if thought fit, pass the following resolution which will be proposed as an ordinary resolution: "That, for a period ending on the date of the next Annual General Meeting of the Company, the Company be and is hereby authorized to raise equity or other investments in any company in which any of M. M. Halpern, J. L. Katz and A. Schachter have invested or propose to invest, provided that the aggregate amount of such investments made by the said Directors in any one company does not exceed 5% of the aggregate amount of the Company's investment in such company, and provided that each investment of the Company in such company, and the total of such investments, shall not be charged to account to the Company for any profit derived therefrom. Such authority shall expire and enable the Company to agree to make any such investment during the said period notwithstanding that the investment fund shall not be made until after the expiry of the said period."

RDPS holders have the right to attend and speak at the Annual General Meeting but not to vote thereon. RDPS holders may however instruct the Depository as to the exercise on their behalf of the voting rights attributable to the shares owned by the RDPS which they hold.

Instructions as to voting must be given either to the Depository or to a Paying Agent, Cashed or Endorser ("Paying Agent") in writing not later than Friday, 21st October, 1988, and must be accompanied by the RDPS in respect of the Shares for which such instructions are given. The Depository or relevant Paying Agent must be satisfied that such RDPS is held in a blocked account by its order only after Thursday, 27th October, 1988. Voting instructions may be obtained from any Paying Agent.

Copies of the Company's Annual Report may be obtained from any of the Paying Agents listed below and Endorser and Cashed.

Table with columns: Capitalization (\$000's), Company, Price, Change on 10/1, Gross div (p), Yield % P/E.

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Sizewell inquiry was unfair, says report

By David Green

THE SIZEWELL B nuclear power station inquiry was unfair and failed to command public or political confidence, according to a report compiled with funds from the Economic and Social Research Council.

The report, by three university academics, recommends that opposition groups at key inquiries should be publicly funded in future to make such hearings fairer and more efficient.

The Government has so far resisted calls to provide funds for opposition groups and has directed public corporations such as the Central Electricity Generating Board not to offer groups any direct financial assistance.

The Sizewell B inquiry lasted 27 months, heard evidence from more than 200 witnesses and cost an estimated £25m.

The academics, who conducted a four-year study including analysis of the inquiry proceedings, say the hearing was unfair because of a lack of resources among objecting groups, the complexity of the evidence and the length of the hearing which ruled out the maintenance of a credible opposition.

The report has been compiled by Professor Tim O'Riordan and Dr Ray Kemp, of the University of East Anglia, Norwich, and Professor Michael Purdue, of the University of Newcastle upon Tyne.

They say public funds for voluntary groups participating in the Sizewell hearing could have enabled them to commission research which would have assisted the Inspector, Sir Frank Layfield, QC.

The authors recommend that money be provided by the applicant in any major inquiry and distributed by an independent panel. The money should go on research, not on legal presentation.

Sizewell B was given the go-ahead by the Government after the inquiry. Sizewell B: An Anatomy of the Inquiry. Macmillan, 26s.

Shift of ground in nuclear dispute

John Hunt on the inquiry into the Hinkley Point reactor plan

WHEN A Magnox nuclear power station at Hinkley Point, Somerset, in 1965 the public inquiry into the project lasted a mere two days and there was only a handful of objectors. This was followed by an advanced gas-cooled reactor which went ahead on the same site in 1976 without a hearing.

Those halcyon days are in the past. Tomorrow Mr Michael Barnes, QC, opens a public inquiry into the Central Electricity Generating Board's proposal for a third generation of nuclear power on the site by adding a pressurised water reactor, to be known as Hinkley C.

Nearly 13,000 people and organisations, local and nationwide, have registered objections to the building of a third plant on the shores of Bridgwater Bay, across the water from Burnham-on-Sea.

The vocal opposition group, Stop Hinkley Expansion, includes among its sponsors Mr Paddy Ashdown, leader of the Democrats and MP for Yeovil, Mr Dawn Primarolo, Labour MP for Bristol South, Mr Dafydd Elis Thomas, Welsh Nationalist MP, Mr David Bellamy, TV personality and environmentalist, and Ms Julie Christie, the actress.

The protestors will tomorrow show their opinion of the scheme by parading an enormous effigy of a white elephant nicknamed Hinkley through the streets of the village of Cannington, where the inquiry will be held.

It will be the biggest inquiry into a new nuclear power station since the 2½-year examination, from 1983 to 1985, that led to the approval, amid great controversy, of the Sizewell B PWR in 1985. More significantly, it will be the first since the Chernobyl nuclear accident in the Soviet Union in 1986 - a dread event that will cast a shadow over the proceedings and colour the views of the opponents.

Procedures have been streamlined since Sizewell and the present inquiry is not expected to run beyond a year. The CEGB says it is essential to have a family of four PWRs

operational by the year 2000 in order to meet demand for electricity. Sizewell B is under construction, Hinkley would be the second, and the board is expected to apply shortly for one at Wylfa, Anglesey, and will later apply for a fourth at a site not yet named.

It estimates that Hinkley C would provide an average of 10,000 jobs a year during its seven-year construction and would inject £300m into the Somerset economy.

The board does not want to be dragged into repeating the basic arguments on the safety of the PWR, which is now the most widely used nuclear power system in the world. It takes the view that those arguments were thoroughly aired during the Sizewell marathon and that its faith in the system was vindicated in the report of the Inspector, Sir Frank Layfield, in 1985.

However, the board will give evidence on safety details pertaining to Hinkley, such as emergency planning arrangements and the effect of discharges on the locality.

The opponents find that attitude completely unsatisfactory and point out that Chernobyl makes a basic re-examination of the system all the more essential. They are not content with the safety details.

London's attitude towards nuclear power as it weighed up the prospects of investing in electricity. After his book appeared, he hoped that there would be "no more debate."

He will also point to the decline of nuclear power in the US when he gives evidence on behalf of Somerset County Council at the public inquiry on the proposed Hinkley Point pressurised water reactor station.

Mr Henney, a subscriber to competition from coal and other conventional power stations. The result will be a 20,000-word book: The Economics of Nuclear Power in Great Britain, to be published at the end of next month. It will be accompanied by a much longer work, for limited circulation.

Mr Henney, an outspoken former chairman of the London Electricity Consumers' Council, said at the weekend that he aimed to influence the City of

Rosehaugh role in Manchester dockland revival

By Ian Hamilton Fazey, Northern Correspondent

ROSEHAUGH is today revealed as the main property company behind the £550m Wharfedale project, which will be centrepiece of the redevelopment of Trafford Park in Greater Manchester.

Trafford Park Development Corporation will today begin negotiations to finalise agreements. Rosehaugh has linked with Trafford Park Estates, the quoted company that created the park as Europe's first industrial estate at the turn of the century, to form a new company for the project, Rosehaugh Trafford.

Trafford Park Estates struggled for decades against the slow decline of the sprawling 2,700-acre industrial zone - in effect Manchester's docklands - until the Government named it as an urban development corporation two years ago, enabling public funding of anti-decay measures.

This has changed the climate of confidence: so much that there has been at least £170m of investment by the 640 companies in the park already.

The arrival of a substantial, nationally based property developer such as Rosehaugh - which has been particularly successful in the London Docklands - is expected to boost confidence further.

Agreements are expected to be completed before Christmas to enable work to begin early next year.

The Wharfedale project covers a 200-acre site, which is to be turned into a new water basin, with links between the Bridgewater and Manchester Ship canals.

It will be one of the largest urban regeneration projects outside London. A mixture of office, commercial, and industrial schemes is planned, together with water-based leisure facilities, shops and private housing. About 6,000 new jobs are forecast.

Mr Peter Hadfield, chairman of Trafford Park Development Corporation, said yesterday: "Wharfedale is our flagship enterprise. It is the gateway to Trafford Park."

Mr David Evans, senior development executive of Rosehaugh, will move to Manchester to head the project jointly with Mr Jim Davis, development director of Trafford Park Estates.

Mr Evans said yesterday: "We have made a conscious decision to move to the regions. Trafford Park was clearly the area with the most potential. We believe it is about to re-emerge as one of Europe's most important industrial and commercial centres."

Poor suppliers may drive away Japanese

By Hugo Dixon

JAPANESE investment in the UK is threatened by the shortage of good local suppliers of components, according to a study published today by the Policy Studies Institute, an independent research body.

In recent years, Britain has been one of the favourite locations for Japanese companies wishing to establish manufacturing plants in Europe, because of encouragement by the Government and the English language. More Japanese investment in Europe is expected in the run-up to the establishment of a single European market in 1992.

However, British companies have not been meeting the requirements of Japanese companies in this country, according to the PSI report. Investment may now switch to continental Europe, where better local suppliers are more readily available.

The report also predicts that Japanese component suppliers will take advantage of these shortcomings and set up their own factories in Europe, displacing domestic suppliers.

The report, which is based on case studies in Japan and the UK, pins the blame for Britain's failure on the short-term nature of the relationship between suppliers and manufacturers.

Japanese companies make exacting demands on their suppliers, but the relationship is a close and long-term one. Products are often developed jointly and small suppliers are kept expensive equipment.

Manufacturers and Suppliers in Britain and Japan, PSI, 100 Park Village East, London NW1 3SR, £9.95.

UK NEWS

Hinkley: the CEGB wants a third-generation PWR

operational by the year 2000 in order to meet demand for electricity. Sizewell B is under construction, Hinkley would be the second, and the board is expected to apply shortly for one at Wylfa, Anglesey, and will later apply for a fourth at a site not yet named.

It estimates that Hinkley C would provide an average of 10,000 jobs a year during its seven-year construction and would inject £300m into the Somerset economy.

The board does not want to be dragged into repeating the basic arguments on the safety of the PWR, which is now the most widely used nuclear power system in the world. It takes the view that those arguments were thoroughly aired during the Sizewell marathon and that its faith in the system was vindicated in the report of the Inspector, Sir Frank Layfield, in 1985.

However, the board will give evidence on safety details pertaining to Hinkley, such as emergency planning arrangements and the effect of discharges on the locality.

The opponents find that attitude completely unsatisfactory and point out that Chernobyl makes a basic re-examination of the system all the more essential. They are not content with the safety details.

London's attitude towards nuclear power as it weighed up the prospects of investing in electricity. After his book appeared, he hoped that there would be "no more debate."

He will also point to the decline of nuclear power in the US when he gives evidence on behalf of Somerset County Council at the public inquiry on the proposed Hinkley Point pressurised water reactor station.

Mr Henney, a subscriber to competition from coal and other conventional power stations. The result will be a 20,000-word book: The Economics of Nuclear Power in Great Britain, to be published at the end of next month. It will be accompanied by a much longer work, for limited circulation.

Mr Henney, an outspoken former chairman of the London Electricity Consumers' Council, said at the weekend that he aimed to influence the City of

Greenpeace, denies being an overnight convert to environmentalism, a charge levelled at Mrs Margaret Thatcher, the Prime Minister, after her speech last week at the Royal Society.

He made his mark in the electricity privatisation debate in a series of pamphlets, some of them published by the Centre for Policy Studies, the think tank established by Lord Joseph, the former Conservative Cabinet Minister.

The critics claim that the CEGB is trying to duck the economic argument and has hastily changed its ground since the Sizewell inquiry. It is no longer prepared to argue that nuclear power is the cheap option but bases its case on the need for a diversity of fuel supplies.

In any event, this controversial matter is certain to arise as the inspector has indicated that he is prepared to listen to arguments about it.

The wide range of organisations opposing Hinkley C include Friends of the Earth, Greenpeace, the Council for the Protection of Rural England and the Coalfields Communities Campaign.

At this inquiry the CEGB will face much stiffer opposition from local authorities than it did at Sizewell. The Democrat-controlled Somerset County Council will be opposing the scheme at the head of a consortium of 20 other local authorities.

Somerset is putting up £500,000 for the cost of fighting the case, other counties in the consortium are each subscribing £50,000 and district councils are giving at least £10,000 each. The eventual cost to the consortium could be £1.5m.

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HMC MORTGAGE NOTES 1 PLC £150,000,000 Mortgage Backed Floating Rate Notes June 2017 For the interest period 30th September, 1988 to 30th December, 1988 the Notes will bear interest at 12 1/4% per annum. Interest payable on 30th December, 1988 will amount to £3,945.77 per £100,000 Note. Agent Bank: Morgan Guaranty Trust Company of New York London

Granada plans to promote NW

GRANADA, the television and leisure group, is to lead and largely fund a £500,000 drive to promote north-west England to investors and expanding companies in London, the south-east and abroad.

It has persuaded the Department of Trade and Industry and six leading public-sector agencies in the region to support four one-day conferences in one of its television studios during the first week of November.

The conferences will be linked to an exhibition, television news reports and two programmes on Sunday, November 6, when the results of a survey by Manchester Business School on what southern-based companies think of the north will be broadcast.

Mr Henney, a subscriber to competition from coal and other conventional power stations. The result will be a 20,000-word book: The Economics of Nuclear Power in Great Britain, to be published at the end of next month. It will be accompanied by a much longer work, for limited circulation.

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Tourism-related investment rises to record £2bn

By David Churchill, Leisure Industries Correspondent

INVESTMENT in English tourism and leisure developments reached a record of almost £2bn in the first half of this year - 61 per cent higher than in the previous six months.

The buoyant spending on leisure facilities this year followed the record number of overseas tourists who visited Britain last year.

The surge in tourism and leisure investment was announced yesterday by the English Tourist Board, which monitors leisure investment at six-monthly intervals.

Mr John East, the ETB's chief executive, pointed out that much of the new investment had been helped by the "pump-priming" of ETB development grants.

He said: "Our development funds have given the lead to companies and individuals wishing to invest in tourism."

"Property developers, while traditionally cautious, are beginning to recognise the importance of tourism and leisure in larger-scale mixed developments."

The ETB figures show that total investment in leisure projects totalled £1.98bn in the first half of this year, of which £248m related to projects completed and £1.74bn to projects under construction.

Among the big new leisure projects under way in the first half of this year was the £240m Bicester theme park being developed by Mr John Broom, owner of the Alton Towers theme park.

The success of the first holiday camp development by Cen-

tre Parc, a UK offshoot of a Dutch company, in Sherwood Forest has also led to work starting on a second centre in Theford Forest in Suffolk.

The growth in visitors to the UK has also led to 89 new hotels under construction - the highest level since the end of the hotel development incentive scheme in 1973.

A new trend identified by the ETB is for investment in budget hotels which provide good quality accommodation but no extra facilities such as restaurants. The French group Accor is investing £31.2m in seven hotels under the brand names Novotel and Ibis.

Other important hotel investors include Trusthouse Forte, with £50.2m being spent on 11 sites and Queens Hotel Houses with £29.5m at four sites.

The ETB figures show that the geographical spread of leisure investment still favours London and the South-East, although north-west England is also attracting significant investment.

Quality International, a leading worldwide hotel chain, has been forced to amend its planned hotel expansion in the UK.

Quality had planned to open 25 budget hotels under the brand name McSleep over the next three years at a cost of £70m.

However, following a successful challenge in the US courts last week by the McDonald's hamburger chain that the name infringed its own trademark, Quality has decided to call the new hotels Sleep Inn instead.

Barristers given hint over demarcation

By Raymond Hughes, Law Courts Correspondent

BARRISTERS have been given a clear hint by Lord Mackay, the Lord Chancellor, that they should think again about their traditional opposition to solicitors being allowed to conduct cases in crown courts.

Opening the Bar's annual conference in London at the weekend, Lord Mackay said that every profession was becoming acutely aware that its role in society could nowadays only be justified by careful attention, not to self-interest or group interest, but to the interests of the public as a whole.

It was logical for the Bar, he said, "to examine the range of work currently its sole preserve to consider whether it is appropriate for a specialist profession."

The Lord Chancellor, whose



Lord Mackay: 'Bar must examine range of work'

speech was later variously described as "Delphic" and containing "coded messages."

did not deal with specifics. However, the consensus among those attending the conference was that he was referring to the age-old dispute between barristers and solicitors about rights of audience.

Although solicitors can appear as advocates in magistrates' courts and county courts, they have only limited rights in crown courts and none in the High Court.

Last July the Marre committee on the future of the legal profession recommended, by a majority, that solicitors should be given full rights of audience in crown courts.

It was notable that the dissenters from that view were the barristers on the committee.

The view at the conference

was that Lord Mackay was not signalling an immediate intention further to whittle away the Bar's monopoly.

Rather, it was thought, he was suggesting to barristers that they should put their own house in order.

However, it was felt that he would not have referred, even obliquely, to the issue if, like Lord Hailsham, his predecessor-but-one, he was happy with the existing situation.

None the less, not all those at the conference took the same pessimistic view.

One barrister muttered about "too much Kremlinology going on" about the Lord Chancellor's speech.

Another said cheerfully: "If there were any coded messages they went right over my head."

Bar is 'losing out in competition to form links with US firms'

By Raymond Hughes

BARRISTERS were losing out to City solicitors in the development of professional practice with leading US law firms, the Bar Conference was told.

In a forthright exposure of what US lawyers perceive as barristers' weaknesses, Mr Andrew N. Vollmer, a London-based member of a Washington law firm, said solicitors had gained the upper hand.

One of the main obstacles, he said, was that barristers lacked expertise and experience in the areas of greatest importance to the US lawyers most active in Europe.

Those were: international finance - including international loans, securities offerings and Eurobonds - and international corporate transactions, such as mergers and acquisitions.

Mr Vollmer was also critical of what he described as barristers' "antiquated working habits," and had some harsh words to say about barristers' clerks.

They were, he said, "overly protective" of their barristers, to whom they were reluctant to put through telephone calls; they were "notoriously unreliable" about whether a barrister would have time to do a project.

"One US lawyer said to me that barristers could increase their use by US lawyers by sacking their clerks and employing competent secretaries."

"The commercial reality is that lawyers are professionals engaged in trade, and US lawyers tend to send business to those who will reciprocate."

However, Mr Vollmer acknowledged the Bar's strengths of expertise, experience in litigation, and independence.

Mr John Toulmin, QC, told the conference that barristers were not making full use of the expertise that would enable them to play a greater part on the international legal scene.

The European Community, the US and Canada, and international arbitration had been identified as areas where there appeared to be scope for the Bar to develop its practice.

There was a feeling, Mr Toulmin said, that there were many barristers in London and outside with the necessary expertise which was being wasted because no one knew about it.

He also recommended becoming fluent in at least one other important language.

Social compensation may replace disaster litigation

SOCIAL compensation schemes, rather than litigation, are emerging as the best way to deal with claims arising from disasters, it was suggested at the Bar conference, writes Raymond Hughes.

Mr Justice Beldam, a High Court judge and chairman of the Law Commission, said that the appeal of such a scheme was that "under its provisions, all who suffer are winners; under a litigation-based scheme, winners take all."

In a paper for a session on

litigating disasters, he suggested that in an increasingly technological age in which safety factors were being revised it was inevitable that disasters giving rise to groups of claims would occur.

The causes of discontent with the present system for dealing with such claims by litigation were inequality of result, equally deserving cases, inordinate delay, complexity and the high proportion of costs to benefit.

Mr Justice Beldam said that

class actions had been put forward as at least a partial solution to the matter of disaster litigation - although, he added, "the class action does not appear in the United States at least to have been the panacea that its protagonists here seem to proclaim it."

It was claimed that concentration of resources, both judicial and of the parties, was more likely to be achieved by a class action, which would also have the merits of consistency of decisions, reduction of cost

and speed.

Against that was argued the difficulty of identifying the degree of community of interest and the subordination of some of an individual's interests to those of the class.

He said that the slow but inexorable move from fault basis liability towards strict and absolute liability, and support for class actions, suggested that society was moving away from litigation towards the idea of a social compensation scheme.

Private bank pays first dividend

By David Lascelles, Banking Editor

ADAM & Co, the private Edinburgh-based bank founded five years ago, is to pay its first dividend. The bank announced with its annual results that the dividend will equal 1.75 per cent of its £10m capital.

Mr James Laurence, chief executive, said: "This is intended as an indication to our shareholders that we are thinking of them." The share-

holders include Selective Assets Trust, Drayton Consolidated Trust, Standard Life and the Kuwait Investment Office.

The bank made an operating profit of £675,000 in the year to June 30, up from £473,000 the year before. Deposits increased from £42.2m to £54.6m.

Adam has appointed Mr Adam Lee as group development director.

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BANK OF MONTREAL LONDON September, 1988

Study of health service rejects radical change

By Richard Evans

THE CASE for root and branch change in the National Health Service is weak, according to an analysis of health care in Europe published by the Association of the British Pharmaceutical Industry.

Although the latest data showed that, compared to other leading European Community countries, Britain was a low spender on health in both the public and private sectors, recorded mortality and morbidity rates appeared to compare well with the rest.

Dr John Griffin, director of the association, argues in a preface to the report that, rather than radical reform, the challenge was to build on what was already a good, although not perfect, service.

The report, Agenda for Health, recognises the positive achievements of the NHS and the strength of repeated calls from the caring professions for more public spending on the health service to bring it closer to the levels of state spending in West Germany, France, Italy and the Netherlands.

However, it states: "The central lesson from abroad is that in the 40 years since its establishment, the NHS has proved unusually inexpensive, yet no less effective in maintaining the population's welfare than systems two or three times more costly in per capita cash terms."

"If Britain does have a poor health record in areas like heart disease and cancer mortality, the causes appear not to be a failure of the NHS but patterns of consumption and behaviour."

Mr David Taylor, the report's author, states that the Government's most likely policy in the immediate future will be to maintain public support for the NHS at the current level of 6 per cent of gross national product.

He says: "Further advances in care standards will to a significant degree depend on obtaining maximum value for money within the NHS, and increasing private and/or voluntary payments for health care."

Against that background, the report supports the case for a lottery to help to fund the health service at the margins.

However, the report also warns that the idea of a national lottery would be fought vigorously not only by those opposed in principle to gambling but by established vested interests like football pools promoters.

It predicts that after the Government's funding review, now in progress, more emphasis should be placed on forming clear contracts between NHS purchasers and suppliers in both the public and private sectors.

The British pharmaceutical industry will contribute an estimated £200m net to the balance of trade in 1988 compared with £80m last year.

Agenda for Health 1988. ABPI, 12 Whitehall, London SW1A 2DY.

Integrating the attack on AIDS

David Fishlock on the linked approach to a pandemic

BRITAIN has mobilised a big national research effort over the past year to find vaccines and drugs to combat the AIDS pandemic.

Both the French - who first identified the AIDS virus - and the West Germans may follow the British approach of a co-ordinated research strategy, UK programme managers believe.

Dr Geoffrey Schild, the AIDS research programme director, says: "The French seem to like the way we have developed the cohesive strategy of our programme."

Leading British pharmaceutical companies, including Glaxo and Wellcome, as well as new biotechnology research companies, have joined his programme, launched by the Government last year with £1.5m of earmarked money spread over three years.

Eight collaborative research agreements covering intellectual property rights have been negotiated between companies and academic research teams.

Nine more are being discussed. Companies are also providing the novel biochemical substances urgently needed for AIDS research. Under one contract, Wellcome and Oxford University have collaborated in an experiment launched aboard the Discovery space shuttle on Thursday to see whether crystals of a novel protein can be made perfectly under gravity-free conditions.

The Medical Research Council, which manages the AIDS research programme, is equipping three high-security laboratories near London for joint

use with industry in evaluating new treatments for the highly infectious disease.

AIDS research managers say they have been greatly heartened by the response of both the medical research community and industry to Britain's first directed programme of medical research.

Britain has used the research directed approach in other fields, notably in its Alvey programme of research in information technology.

About 350 scientists are being funded under the AIDS programme, at a total cost of about £2m this year and £7m next year. The programme has expanded from about 20 projects when it was first organ-

specifically for AIDS research, the programme is being financed from the MRC budget and also by the Department of Health and the Office for Overseas Development. It includes research in Africa, where the pandemic is believed to have begun and to be spreading most rapidly.

Dr Schild says UK scientists have responded encouragingly to the high priority being given to evaluating their proposals for research, thus allowing the programme to be built up rapidly. He forecasts that it will be spending about £14m a year by 1990 and £18m a year by 1992.

A request for further Government funds, amounting to

research company, which has a contract to make large amounts of a novel protein called gp 120 by cell culture for the AIDS researchers.

Directed research is new to medical science in Britain, says Dr Dai Rees, MRC chief executive. It was adopted for AIDS because programme managers knew the cause and could plan a strategy to try to combat it, even though the problem is "complex and provides quite a challenge to the MRC," Dr Rees says.

He believes the past year's experience suggests progress can be accelerated by directed research. "It's worked and works well," he says.

The primary goal is to explain the molecular biology of the AIDS virus, which has not proved amenable to the classical methods of developing vaccines, previously used successfully for diseases such as polio, diphtheria and smallpox.

Overseeing the programme is an MRC committee under the chairmanship of Lord Jelliffe and including Sir Donald Acheson, the Government's chief medical officer.

The programme is managed through a steering committee chaired by Dr Schild, a senior MRC executive. It has two broad objectives: to discover anti-viral drugs for treating AIDS, and to develop vaccines that protect against the infection.

The MRC is claiming joint rights to royalties from research funded by its AIDS directorate and proposes to take the lead in negotiations for commercial exploitation.

Scientists have responded encouragingly to the high priority being given to evaluating their proposals for research

IN the summer of 1987, in about 70 today, it spans national laboratories, universities, and charity and industry research centres.

It has also earmarked funds for about 20 training awards for post-doctoral specialists in virology and immunology, where shortages are expected as the AIDS programme continues to expand.

In addition to funds that the Government has earmarked

about £2m a year over three years from 1990, has been submitted.

Industrial collaboration is a critically important part of the programme, involving research contracts placed with industry, and bilateral agreements between firms and academic teams, as well as collaborations involving the Medical Research Council itself.

Dr Schild cites Celltech, the Slough-based biotechnology

Hospital uses horse sense to raise cash

By Alan Pike, Social Affairs Correspondent

IMPOSING CHARGES for horse grazing might appear an antiquated and desperate way of funding Britain's financially stretched health service, but it is happening in Manchester.

The money is raised by allowing horse owners to graze their animals on fields around hospital buildings. It produces about £1,200 a year for the Central Manchester District Health Authority, which, while a drop in the hay bucket, is all part of a programme to encourage health service managers to think more commercially.

A report published today by the National Association of Health Authorities lists more than 800 money-raising activities being undertaken in the health service. The Department of Health wants £20m raised from income generation schemes during 1988-89, and NHA calculates that the target will be met.

Many health authorities - as the NHA report shows - have well-established income generation schemes, although they are frequently small-scale. Car parking charges, baby photography and vending machines are more familiar examples than horse grazing.

The Government is now encouraging authorities to take a more ambitious view of commercial opportunities. Sir Roy

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Smoking ban on BA's UK flights. By Peter Marsh. BRITISH Airways is to ban smoking on flights within the UK from October 30. The airline said a study showed that most passengers, whether smokers or non-smokers, favored a ban on short flights. None of its domestic flights lasts more than an hour.

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LEGAL COLUMN

Conferences contrast on agenda and pleasure

By Raymond Hughes, Law Courts Correspondent

THE LEGAL conference season is upon us again. The Bar held its meeting in the Royal Courts of Justice and the Temple in London at the weekend; the Law Society gathers in Cardiff later this month.

The timing of the two events — the barristers confining their deliberations to the last two days of the summer vacation, the solicitors taking off two to three working days during the Michaelmas term — is doubtless more to do with professional commitments than professional commitment.

It is interesting that the programmes for the two conferences contain virtually no overlap — almost the only common feature being an address by Lord Mackay, the Lord Chancellor.

The Bar, which attracted its largest attendance (more than 400 barristers and judges), crammed 10 workshops into two days. The best subscribed was that on litigating disasters, perhaps not surprisingly in view of the amount of work that has come the way of lawyers following such tragedies as the Opren case and the Piper Alpha and King's Cross disasters.

At this workshop Mr Justice Beldam, chairman of the Law Commission, suggested that the tide of opinion was moving away from litigation towards some kind of social compensation scheme as being the best way of dealing with claims

resulting from disasters. Other workshops were devoted to such topics as medical negligence and no-fault compensation; criminal justice, which included a contribution by Mr Nicholas Purnell QC on technology in the courtroom.

The provocatively sub-titled "Aladdin's Cave or Roskill's Revenge?" intellectual property; planning and judicial review.

More orientated towards barristers' domestic preoccupations were sessions on fiscal

planning for chambers and tax traps for the Bar, and the development of international practice for the Bar.

There is less of what might, for want of a better word, be described as junketing at the Bar conference: one buffet lunch (with wine), one lunch and a conference dinner. As for coffee and tea breaks, they ranged from five to 20 minutes — where they were included in the programme at all.

The Cardiff conference, by

comparison, will be an excursion into hedonism. The programme begins with the eve of conference reception and dance and ends, apart from a Sunday morning service arranged by Lawyers Christian Fellowship, with a civic reception and conference dinner.

Other items on the social programme include luncheons and cocktail parties, a concert by the Treorchy Male Voice Choir and visits to a mining museum, St Fagan's Welsh Folk Museum, Tintern Abbey

and the Cardiff Arms Park — not forgetting the golf competition.

To be fair to the Law Society, much of the social programme, parts of which run in parallel with the business sessions, is devised to divert husbands and wives accompanying their solicitor spouses.

To be even fairer, important and topical matters will be on the agenda at Cardiff. This year the scope of conference themes has been much reduced

compared with previous years, when there have been considerably more alternative workshops — an indication, perhaps, of the profession's current leading preoccupations.

Day one is, broadly speaking, to be Cleveland day, with speeches by Lord Justice Butler-Sloss, who chaired the Cleveland child abuse inquiry, and Mr Tony Newton, the Minister of State at the Health Department, and a linked workshop on child care. There will also be a session on the 1986 Financial Services Act — "Investment business — how to survive and enhance your practice."

Day two will be Recruitment Day, with the morning devoted to consideration of the shortage of qualified solicitors and the afternoon to a novel feature, a careers and recruitment fair sponsored jointly by the Cardiff Law School — the UK's largest — and the Law Society.

Day three will be Legal Aid Day with a programme entitled "Legal aid: a service in crisis," which has been heavily promoted by the distribution of some 20,000 leaflets and is likely to be well attended and lively.

Missing from this year's agenda is any mention of multi-disciplinary partnerships — hardly surprising, perhaps, given the way the once inflammatory subject spluttered like a damp squib in Vienna.

Solicitors 'use more marketing services'

By David Churchill

THE AGE of solicitors hiding their light under a bushel has long gone, according to a survey that suggests legal firms are increasingly using public relations and other marketing service companies.

In spite of this trend, the study, published by RSA Client Relations, a market research consultancy, suggests that solicitors are rather sceptical of specialist communications consultancies and prefer to disseminate their information to target groups through in-house personnel.

The survey says: "A number of observations were made during interviews to the effect that the consultancies did not seem to understand the profes-

sional needs of lawyers and one firm gave the opinion that its public relations consultants did not spend enough time cultivating clients."

Not surprisingly, the 86 firms of solicitors in the study tended not to employ specialist consultants. Only 17 per cent of the surveyed firms did so.

However, smaller firms with no more than 30 partners were more willing to use consultants. A quarter of the smaller firms used external PR companies, compared with only a tenth of larger firms.

Even with the relaxation of restrictions on advertising by solicitors, most firms saw it only as a way of reaching new recruits. The survey suggests

that the legal profession "seems to prefer the traditional methods of client contact to advertise their services."

Average advertising budget for firms with 30 partners or more was £190,000, with smaller firms spending an average of £55,000.

However, solicitors were far more willing to undertake below-the-line marketing jargon for non-advertising promotional activity, such as corporate hospitality. The survey found that three-quarters of the solicitors carried out client entertaining in some form.

Surprisingly, smaller firms were more likely to invite clients to sporting events than

larger firms, although both large and small firms were equally interested in cultural events when entertaining.

Larger firms were more likely to use specialist print and design companies than smaller firms.

Public relations consultancies can take heart from the report's finding that eight out of every 10 firms of solicitors surveyed said they would make more use of PR services during the next three years.

However, support for advertising services was more mixed, with approximately half saying they would advertise more and the other half saying they would continue at the present level.

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Legal Appointments Now there's a strong case for looking in the FT

On September 26th the Financial Times launched its new Legal Pages.

Published every Monday, they'll cover the business and commercial news that affects your profession, your clients and you.

What's more, whether you're looking to recruit or considering a career move, you'll find a variety of UK and International Legal Appointments in Corporate Finance,

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FINANCIAL TIMES
Legal Pages

S. G. Warburg Group plc

ASSISTANT COMPANY SECRETARY

City

An opportunity to join the Company Secretary's office of S. G. Warburg Group has arisen. The Group, one of the U.K.'s leading financial institutions, wishes to recruit an additional qualified Company Secretary to play a senior role in the many and varied responsibilities of the office.

The successful candidate must be able to communicate clearly and easily with senior management. The ability to assume responsibility quickly in a stimulating environment is important.

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Salary could be higher than indicated for an outstanding candidate and first class benefits include a quality car, medical cover and relocation expenses. Interested candidates should write to Brian Barrett, Personnel Services Manager, Fisons plc, Fison House, Princes Street, Ipswich, Suffolk IP1 1QH or alternatively, telephone him on Ipswich (0473) 232525.

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City of London offices

TRY CONSTRUCTION has been awarded an £11m contract by Wace Group for the construction of a mixed office and industrial development in Shepherds Walk just on the northern edge of the City of London.

The work involves the construction of two buildings, a seven-storey office block and a part office and part industrial building across the road. The two will be joined by an arched walkway.

Both will be reinforced concrete structures with brickcladding and some curtain walling. The office building includes air conditioning, suspended ceilings and raised floors and there will be car parking in the basement.

The industrial/office section which is also seven storeys high and air conditioned will be in heavier reinforced concrete construction. The block has been designed to accommodate computers and high technology print platemaking machinery. Try will complete the project by the end of next year.

McAlpine awarded £6.5m contract

SIR ROBERT McALPINE & SONS has been awarded a £6.5m contract by M&P for the construction of phase III of its Abbey Gardens project in Reading. On a 2,750 sq metre site adjacent to phases I and II and fronting onto Kings Road, the four-storey office block with basement car parking will be of reinforced concrete frame construction. The project is scheduled for completion in December 1989.

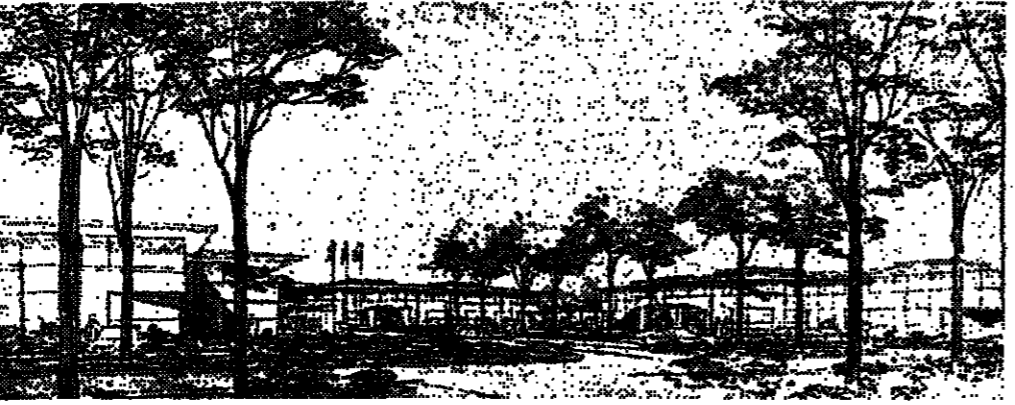
CONSTRUCTION CONTRACTS

£15m office management project

WALTER LAWRENCE PROJECT MANAGEMENT has been awarded two management contracts with a total value of £30.4m. On behalf of British Airways, Walter Lawrence will carry out a £15m management contract for offices and associated infrastructure at Beeline House, West End Road, South Ruislip, Middlesex. Designed by Ankett Associ-

ates, the low-rise offices will consist of 150,000 sq ft in four blocks, which will be linked at first floor level by enclosed walkways and corridors. The scheme will have brick facing panels with horizontal and vertical bands of blue colour, together with aluminium silicon glazed windows and door units. The contract will be completed in February 1991. In Croydon, Walter Law-

rence is completely refurbishing an 11-storey building in the Knollys House complex, Addiscombe Road, Croydon, Surrey on behalf of IBM(UK). The £5.4m project will include the installation of a building management system, together with the refurbishment of the lifts, ceilings, lighting and floor covering, as well as the installation of a partitioning system.



A perspective view of a new offices scheme at Beeline House, South Ruislip, Middlesex

£19m orders for Dew Group

DEW GROUP, the civil and contracting arm of the Allied Partnership Group, has won contracts worth £19m. The building division has booked £12m worth of contracts ranging from a workshop block for Her Majesty's Prison Services at Highpoint (£2.7m), a factory at Southall for Metal Box (£1.9m), a storage warehouse at Middleton for British Vinegar (£1.1m), a department workshop for Epping Forest District Council (£1.7m), an industrial distribution building at Swanley, Kent for Amec Properties (£1.4m), a coater

building at Sittingbourne for Bowater UK Paper Co (£1.06m), road transport workshop at Oldham for Royal Mail Letters (£300,000), and a warehouse at Boddingtons Breweries, Strangeways (£320,000).

The civil engineering division has won over £2m of orders for a number of projects including site works at the St. Lukes Hospital, Bradford, road works and infrastructure at Flitborough Industrial Estate for the Borough of Glanford, and a further contract on the Salford Quays site for the City of Salford where they have

been working since its inception. The landscape division has also been successful in winning a number of orders for various clients such as C.E.G. at Sizewell 'B' Power Station (£450,000), and Drax Power Station (£174,000), Ealton Borough Council (£230,000), and riverside walkway for Salford City Council (£264,000). The sheet piling division has also had an influx of orders, the major one being for the cofferdam at the Canary Wharf Tower, London for Ellis Don - Sir Robert McAlpine (£764,000).

Export terminal on Indian coast

LAND & MARINE ENGINEERING, a member of the Costain Group, through its Indian joint venture company Land & Marine Engineering (India), has received a £15m order from the Oil & Natural Gas Commission for a turnkey design and construct contract covering installation of an export terminal on the west coast of India at Hazira.

The project includes a detailed survey, design and procurement through to installation and commissioning of an offshore tanker terminal to export a liquid fuel by-product from the natural gas processing plant at Hazira.

Construction work will involve the laying and burial of a 24 km long, 94 in diameter pipeline from the plant, which includes 7 km of landline, a 1 km crossing of the River Tapi and a 16 km crossing of tidal flats out to deep water in the Mundola estuary where a 50,000 mt Calm buoy will be positioned for the tanker terminal.

DIARY DATES

Trade Fairs and Exhibitions: UK

- Current International Flower Trades Exhibition - IPTXEX (01-458 1951) (until October 4) Alexandra Palace, London
October 22-30 British International Motor Show (01-235 7000) NEC, Birmingham
October 24-28 International Business Show (01-888 4499) Earls Court
October 25-28 Building Exhibition - BUILD-ING (01-496 1951) Earls Court
October 25-27 Fluid Handling Exhibition (01-680 7525) Wembley Conference Centre
October 27-30 Home and Leisure Exhibition (0253 25252) Winter Gardens, Blackpool
October 26-29 Cash & Carry Fashion Fair (01-727 1929) Kingston Town Hall

Overseas Exhibitions

- October 5-8 International Furniture, Furnishings & Household Equipment Exhibition - MODERN HOME (01-236 2289) Hong Kong
October 5-10 Book Fair (01-734 0543) Frankfurt
October 10-13 Gulf Information Technology Exhibition (01-930 3881) Dubai
October 11-14 Computer Show (0869 244738) Moscow
October 13-16 International Fish Farming Techniques, Equipment and Products - ACQUACOLTURA (01-458 4860) Verona
October 20-31 International Trade Fair SINTRA (01-834 5082) Seoul
October 23-24 International Electronics Show - INTRON (Dublin 900600) Dublin
October 27-30 Money Hong Kong Exhibition (0206 45121) Hong Kong

Business and management conferences

- October 3 CBI Conferences: Opportunities in China: who will benefit in the 1990s? (01-379 7400) Centre Point London WC1
October 5-6 Institute of Administrative Management: Evaluating offices for the 1990s (0689 73333) The Brewery, London EC1
October 11 Confederation of British Industry/The Royal Institute of International Affairs: The external implications of the single European market (01-930 2233) Centre Point, London WC1
October 13-14 International Herald Tribune/Oil Daily: The search for stability (01-942 1242) Hotel Intercontinental, London
October 17 City Research Associates: The changing shape of the financial services market - successful survival beyond 1990 (01-833 1681) Caledonian Hotel, Edinburgh
October 17-18 International Business Communications: Technology for retail banking (01-236 4090) Inn on the Park, London W1
October 20-21 Financial Times Conferences: Electronic financial services (01-925 2323) Hotel Inter-Continental, London W1
October 20-21 Arthur Andersen & Co/Venture Economics: Corporate Venturing (01-836 1200) Sonesta Hotel, Amsterdam
October 24 The Economist: 1992: The new Europe - Getting to grips with the competition (01-839 7400) Park Lane Hotel, London W1
October 25 Leatherland Food RA: Innovation in the food and drink industries (0372 376761) Regents Park, London
October 25-26 International Business Communications: Managing LDC debt (01-236 4090) London Press Centre, EC4
October 31-November 1 Financial Times Conferences: Professional personal computers in the 1990s (01-925 2323) Hotel Inter-Continental, London W1

Anyone wishing to attend any of the above events is advised to telephone the organizers to ensure that there have been no changes to the details published

FINANCIAL TIMES CONFERENCES

ELECTRONIC FINANCIAL SERVICES IN THE 90s London, 20 & 21 October 1988
This sixth event will look at the way both traditional and new financial service providers are using new technology to extend retail financial services. Contributors will include Mr Gene Lockhart, Mr Jacques De Keyser, Mr Sinbad Colridge, Mr Michael Tuke, Mr Giovanni Franzini and Mr Peter Duerden.

PROFESSIONAL PERSONAL COMPUTERS IN THE 90s

London, 31 October & 1 November 1988
These Financial Times conference brings together in London representatives from key companies in the professional personal computer industry at a time when significant issues chiefly connected with industry standards are being debated and resolved in ways which will affect the future shape of the industry. Speakers will include Mr David McLaughlin, Mr Jim D'Arrezzo, Mr Alain Blancquart, Mr Roberto Schisano, Mr Gordon Campbell and Mr Raymond Noorda.

THE WORLD OUTLOOK FOR MOBILE COMMUNICATIONS

London, 7 & 8 November 1988
Mr Rick Paggot, Mr Kouhei Nishino, Dr Stephan Pascal and Mr Gerry Wheat will be among the speakers discussing the growth of mobile cellular communications in Europe, the US and Japan.

WORLD ELECTRICITY

London, 14 & 15 November 1988
Last Autumn the Financial Times, with the assistance of Power in Europe, held a World Electricity conference in London. This was strongly supported. A further conference on this subject is to be arranged this Autumn and another distinguished platform of speakers has been assembled. The topics chosen for discussion include the European electricity market, British privatisation, regulation, developments in Japan, Soviet electricity strategy, the US scene, Third World developments, the future as seen by the big builders of power stations and the outlook for coal, gas and nuclear in the generation of electricity in the 1990s.

The speakers include Mrs Helga Steeg, International Energy Agency; Lord Marshall of Goring, CEBG; Dr F C Bupp, Cambridge Energy Research Associates; Mr Victor Gilinsky, Former US Nuclear Regulatory Commission; Mr Rémy Carle, Electricité de France; Mr David Penn, Wisconsin Public Power; Mr Donald Miller, SSEB; Mr Takao Yamachi, Chubu Electric Power Company; Dr Dieter Helm, London Business School and Dr Felix Bruppacher, Elektrizität-Gesellschaft Laufenburg AG. Privatisation of the British electricity industry will be discussed by the Financial Secretary to the Treasury, The Rt Hon Norman Lamont, MP.

All enquiries should be addressed to: The Financial Times Conference Organisation, 2nd Floor, 126 Jermyn Street, London SW1Y 4JL. Tel: 01-925 2323 (24-hour answering service) Fax: 01-925 2125

FINANCIAL

COMPANY MEETINGS: Murray Securities, Trust, 7, West Nile Street, Glasgow, 1.30
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CONTRACTS & TENDERS

WARDJA/ADRAO - Bouake, Côte d'Ivoire

The West Africa Rice Development Association Association pour le Développement de la Riziculture en Afrique de l'Ouest.

CONSULTANCY SERVICES - READVERTISEMENT -

WARDJA/ADRAO invite inquiries for prequalification from professional consulting firms or consortia with a background and expertise in agricultural research centre planning and design, together with all related disciplines, for the design of a new rice research centre and headquarters facility at Bouake, Côte d'Ivoire.

(Approximately 10,000 square metres gross area in phases) Each firm or member of a consortium should submit the following information:

- 1. The nature of the firm: type and number of technical and support staff including qualifications, experience of staff intended for the project, location of offices, contact address and telephone number, date of establishment of firm or leader of consortium.
2. Previous experience with this type of project and of work in West Africa.
3. Information about other projects relevant to the capabilities of the firm including projects carried out during the last five years.

The services required are architectural, structural, civil, mechanical, electrical and environmental services engineering, quantity surveying (landscape design expertise would be an advantage).

Firms offering services should attach a statement agreeing to abide by the decision of the awarding committee and, if prequalified, their intention to submit a bona fide tender for the services, (Expected at the end of January 1989).

Submissions should be received by WARDJA/ADRAO on or before November 7th, 1988 in a sealed envelope marked "Prequalification for consultancy services" and addressed to: The Development Office, WARDJA/ADRAO, Kennedy HQ, Bouake 01 B.P. 2531, Bouake 01 - Côte d'Ivoire. Telephone: 63.22.96 Telex: 69 138 ADRAO CI

COMPANY NOTICES

The RTZ Corporation PLC NOTICE To holders of Warrants to Bear

ORDINARY BUSINESS OF THE COMPANY: NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting of the Company will be held on Friday 21st October 1988 at 11.00 am at the registered office of the Company, 11, Abchurch Lane, London EC4N 3DF. The business to be transacted at the meeting is as follows: (a) to receive and adopt the accounts and financial statements for the year ended 31st December 1987; (b) to elect directors and auditors; (c) to transact any other business which may come before the meeting.

NOTICE IS HEREBY GIVEN THAT a dividend of 1.75p per share will be paid on the ordinary shares of the Company on or after Monday 14th November 1988. Payment of this dividend will be made after presentation of the relevant share certificates to the undersigned offices of payment.

Invitation to Submit Proposals for Cable Television in Hong Kong. The Hong Kong Government invites interested parties to submit proposals for the construction of a cable network and the provision of a cable TV broadcasting service in Hong Kong. Interested parties have until 28 February 1989 to submit their proposals. Parties whose proposals are accepted by the Hong Kong Government will be invited to apply formally to the Government for 15 year licences to build and operate the network and broadcasting service.

Kleinwort Benson. Kleinwort Benson Limited announces that with effect from 1st October 1988, the mortgage base rate will be 12.95% per annum and the personal loan base rate will be 11.95% per annum.

CANADIAN PACIFIC LIMITED (Incorporated in Canada). ST. LAWRENCE & OTTAWA RAILWAY COMPANY. Copies of the Balance Sheet of the above company as at December 31st 1987 are available and may be obtained from the office during normal business hours.

Notice to holders of EUROPEAN INVESTMENT BANK. Coupon of 2 due from September 30, 1988 to March 31, 1989 will be payable from March 31, 1989 at the rate of 11.95%.

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Readers are recommended to seek appropriate professional advice before entering into commitments.

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Normally, they would have looked for a traditional contract.

If they'd been fettered to the past.

But they knew that today's complex buildings have made traditional contracts obsolete.

So they naturally didn't want one.

What they wanted was management; a way of monitoring their complex building projects from concept to completion. They wanted to build fast, while keeping quality up and cost down. And they wanted plenty of room for decision-making, as late in the project as possible.

They asked us to manage their projects.

So what is our untraditional approach?

Well, for one thing, we don't bid on your project. Instead, you hire us for a fixed fee to manage it. In the package you get all the specialists, data programs, administration, skills and experience you need for your building project - just as if your own company was a fully-fledged building project manager.

We're your partner from when your project starts, all the way to completion.

We help you cut costs dramatically. We cut project time by many months - sometimes even a year or more.

It's these opportunities which attract intelligent clients, like IBM, Canon, Astra, Scandinavian Airlines (SAS), Norsk Data, Claridge's...

How do we save time?

Normally, you go through a lengthy design and tendering phase before you can actually start building.

We offer you a short pre-project phase, but you still get everything you need to make your investment decision.

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It's this simple approach that attracts intelligent companies.

How do we save money?

The shorter project time automatically means you save money; capital costs, in particular, are reduced.

We make sure you're integrated as far down into the building process as possible. Your project is broken down into a large number of contracts, which we buy for you from competing contractors. You only pay net prices.

You no longer get just five or six lump sum bids for your project, but several hundred bids for all the different parts.

And it's easy to cope with the changes along the way.

Our system makes contractors active partners, rather than passive suppliers. They

are able to influence their own design and construction work. Not only does this save money. It also improves the quality of your project, which means reduced lifetime costs for your building.

What is our incentive?

We get a fixed fee. So why should we work like beavers to meet budgets and time schedules?

We seem to have chosen a pretty tough and unrewarding way of making money.

This is not so. We are professionals. Our satisfaction comes from participating in the creation of functional, yet beautiful buildings - completed on time and within budget.

That's what we're like.

If you find that hard to believe, it's very simple to check our story. Our list of refer-

ences includes everyone we've ever built for.

Why did we come to the UK?

We believed our method would have a future here. Four years in the market have shown we were right.

Now, we're a growing British company eager to show our merits.

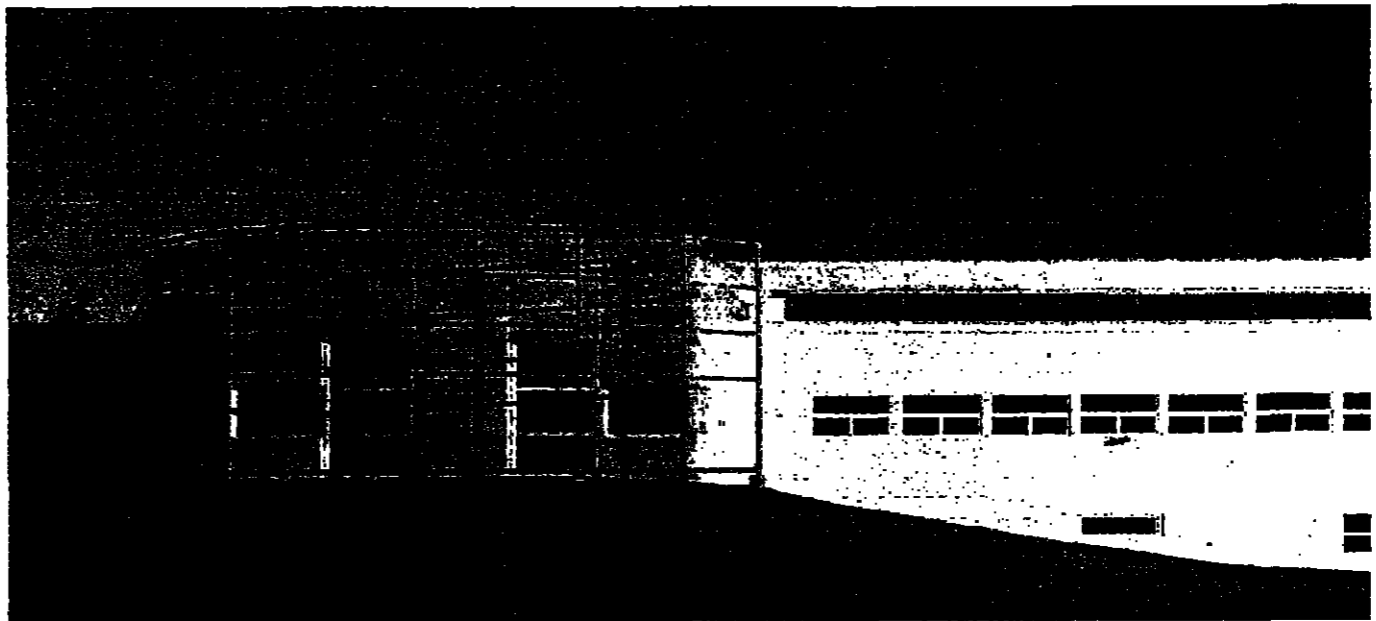
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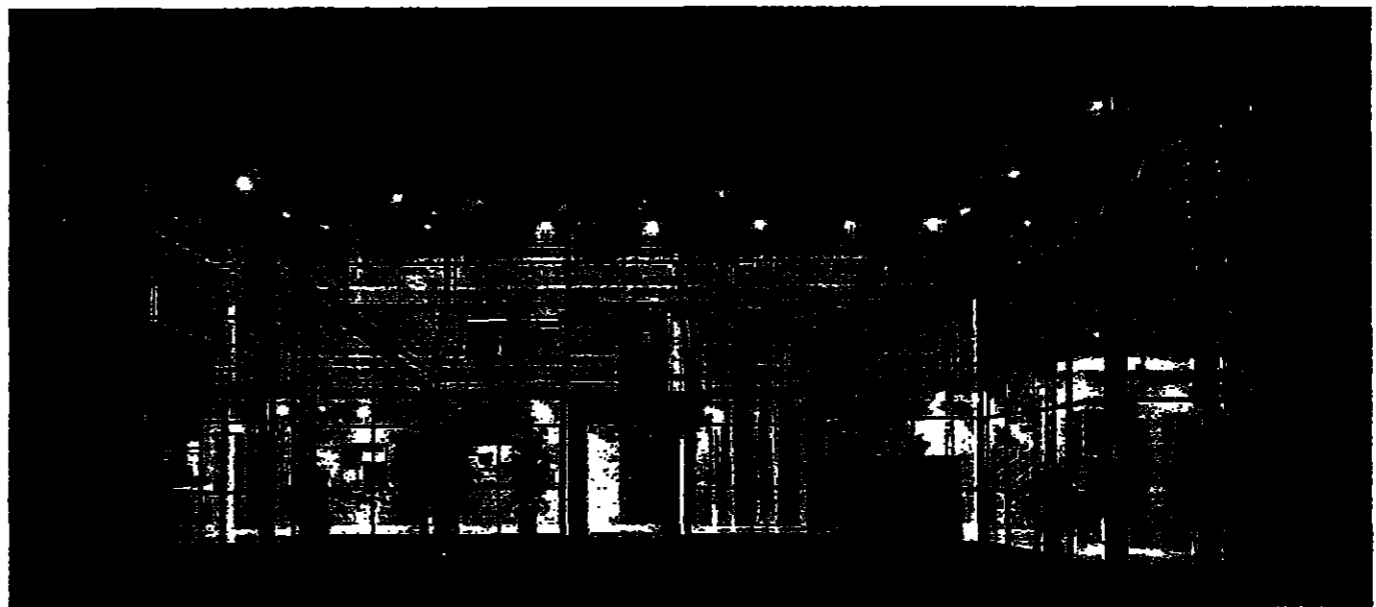
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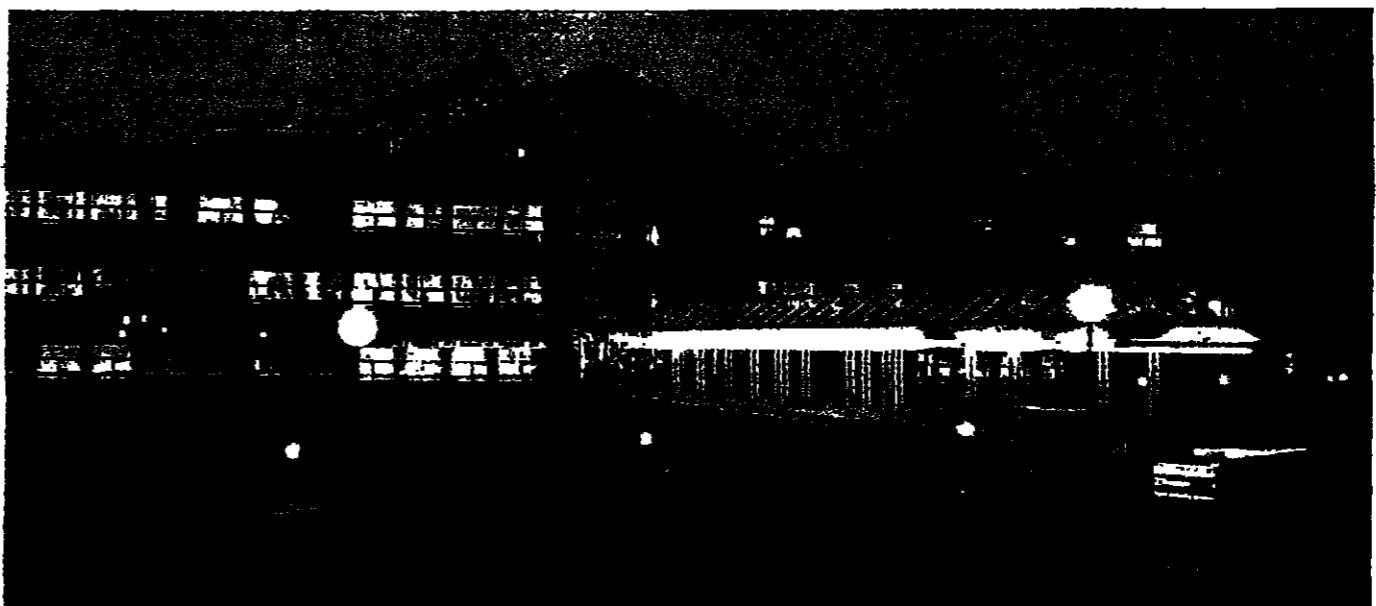
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MANAGEMENT

Power in the boardroom

Lord of all he surveys?

The Beecham pharmaceuticals group split the roles of chairman and chief executive in 1986. Michael Skapinker asks Robert Bauman why he has combined them again

In 1986 Lord Keith of Castletore, then temporary chairman of the Beecham Group, announced a series of changes in the structure of the company's board, with the aim of ensuring that "no chairman should ever again be Lord of all he surveys."

Nine months previously, Lord Keith had led a boardroom coup at the UK-based pharmaceuticals and consumer products group, resulting in the departure of the then chairman Sir Ronald Halstead.

Along with the changes in board structure, Lord Keith announced that an American manager, Robert Bauman, would be taking over as executive chairman, John Robb, who had been appointed chief executive when Halstead left, would stay on as group managing director. Lord Keith described Robb as "a very tough executive."

Tough he may have been, but last month Robb resigned. He said his influence had been eroded since Bauman's arrival and that he did not want to "draw a big salary for doing nothing." So is Bauman, a former aerospace executive and author of a gardening book called *Plants as Pets*, now Lord of all he surveys?

"I don't think I am," he says from his office at Beecham's headquarters on the western edge of London. He does, it is true, "think that strong leadership is important. I'm not aware of organisations that are run well by committee."

But, he says, the other changes announced by Lord Keith in 1986 are still in place and help to provide an effective check on an executive chairman.

These included an increase in the number of non-executive directors from three to six. Following the retirement from the Beecham board of Lord Keith and Denis Allport, former chairman of Metal Box, this has now fallen back to four, but Bauman says the group intends to appoint two replacements. Following Robb's departure, there are eight executive directors.

In addition, the three-board committees set up at the time of his appointment are still in



Robert Bauman: advocate of non-executive directors

existence. These are the audit committee, the remuneration and nomination committee and the finance committee.

All three are composed entirely or largely of non-executive directors. Bauman admits, however, that they are under strength and will remain so until the new non-executives are appointed.

But whatever checks there are, is it not preferable for companies to have both a chairman and a chief executive rather than just an executive chairman as Beecham now has? Bauman says he has worked in companies where the two roles are combined and in organisations where they are separate.

He agrees that the titles that people hold are less important than the way in which the company operates. "I think what's very important is to have a good board and good non-executive directors as part of that board. That's an important part of the balance of power in the company," he says. "I have authority over

me. I have the non-executives supervising what I'm doing."

He adds that "you can have a chief executive or managing director who's very strong and a chairman who does nothing - and vice-versa. It's the professionalism and the calibre of people. It's not the title."

In addition, he says, Beecham does have a non-executive vice-chairman in the form of Sir Robert Clark, chairman of the Hill Samuel Group.

Lord Keith was abroad on holiday and unable to comment on Robb's departure and its consequences for Beecham. Robb, however, is quite happy to provide his own assessment of how much power Bauman now has.

"As far as I'm concerned Beecham in November 1985 decided to split the role of chairman and chief executive. What's happened with my departure is they've gone back to combining the two. Whether that means he's Lord of all he surveys I can't say, but everyone can draw their own conclusions," he says.

How effective are Beecham's board committees? "Well, I think it's very early days yet, frankly," says Robb. "These committees were set up around two years ago and that's a very short period of time to say whether they are an effective check on the business or not. All I can say is that non-executive directors have full-time employment elsewhere and there is a limit to how much policing they can do, if that's the word."

As to what set-up he thinks is best, Robb says that he would "strongly support a structure where there is a strong chief executive and a non-executive chairman. I firmly believe that should be the split."

He agrees that it is difficult for an executive chairman and chief executive to work together, as he and Bauman had been doing at Beecham. "That's what a lot of the disenchantment with my position was," he says. "One headhunter has said to me that what Beecham ended up with was not a chairman and chief executive but two chief executives. I'm not saying that that's what a headhunter said to me."

Robb draws on his own experience as a non-executive member of the boards of the National Freight Consortium and STC to argue the case for a non-executive chairman.

"You really need somebody who's spending more time on the business than the average non-executive director. That's where I would suggest that the non-executive chairman comes in because he will, by and large, spend more time on the business than the average non-executive director would do. I think that's the sort of safeguard that's in the interest of the shareholders," he says.

Given that Bauman has now got overall executive control, did he consider calling himself chief executive and suggesting that the board appoint a non-executive chairman?

"I did not give it a tremendous amount of thought," Bauman says. He says, however, that there was some discussion of the idea. How much discussion? "It went by very quickly," he says.



Professor Günter Peise: many students have accepted jobs with companies where they had been on placement

Industrial graduates 'doubly qualified'

David Marsh reports on an Anglo-German training initiative

British industry has been much slower than West German companies in taking advantage of a joint training initiative to prepare graduates for industrial jobs in countries throughout the European Community.

This is the view of Professor Günter Peise, head of the European Business Programme at the Fachhochschule (polytechnic) in the ancient university town of Münster, who is one of the guiding lights behind the seven-year-old programme.

Nevertheless, Peise is full of praise for a partnership between the Fachhochschule and Humberstone College of Higher Education in the UK. Courses launched by the partnership in 1981 give students the valuable opportunity of acquiring a "double qualification" in business studies diplomas which are valid in the two EC countries.

Peise feels that British industry's relative lack of interest in the scheme reflects the UK's lagging enthusiasm for European co-operation.

In contrast, he points to the scope of the Münster-Hull programme having widened further last year when institutes from France and Spain - the Ecole Multinationale des Affaires in Bordeaux and the Centro Europeo de Gestion de Empresas in Madrid - joined in.

The courses, open to a new intake of an average 20 students per year from each country, provide business studies in two languages and in two countries over a four-year period. Students gain industrial training and experience

during two six-month placements with companies in their home country and abroad. Including this summer's graduates, 166 students - half each from Britain and the Federal Republic - have graduated from the Hull-Münster programme since it was set up.

Peise says most of them have gone on to good inter-national-ly-oriented jobs, often with companies they got to know during placement courses. Although the EC sponsors about 500 joint study courses in more than one country, the Münster programme is one of only three which offer participants a long stay abroad and a double qualification.

"West German firms up to now have been more willing than British ones to offer students on the course a six month placement," says Peise. Companies run their eye over qualified graduates with a view to employing them later, he says.

West German companies which have offered placements include Daimler-Benz, Continental Gummi Hoechst, Westdeutsche Landesbank, BASF, Siemens and Robert Bosch. Although smaller British companies have joined in the scheme, it has been harder to encourage participation by larger UK groups of the same stature as the German ones, says Peise.

Rosina Jones, the course leader at Humberstone dealing with the business studies programme, says that British companies which have joined in so far include Beecham, Clarks Shoes, ICI, ICL, and the Ted Bates advertising agency. But she confirms that UK groups

have been less interested than those in Germany. "If British industry wants to gear up towards 1992, we have courses which they should be exploiting," she says. UK companies often want to take sandwich course students on for a full 12 months rather than the six months offered by his programme, according to Peise. "British industry has not got the message," he says. "My colleagues in Hull tell me that British industry is still a bit insular."

According to Peise, the quality of West German students on the course is generally higher than those who apply to Hull. There are about 20 to 25 applications for each place on the Fachhochschule course. The pace of British applications has been somewhat less frenetic; 340 students applied for 18 places last year.

"In Britain, people tend to say, 'Where is Hull?'" says the Münster professor. "This is changing, but very slowly... At Oxford and Cambridge, students learn good table manners, but they don't get the same opportunities as they do here."

On the evidence of conversations with students attending the Münster courses, the international programme certainly offers plenty of opportunities. "It's the only programme offering practical experience and a theoretical background," says fourth year student Frank Jung, who has taken a job with BASF.

"The good thing about the company placements is not just that you get the experience. You also make contacts with decision makers," says

Holger Kalvelaga, also from Germany. He has secured a job with Daimler now that he has finished his course.

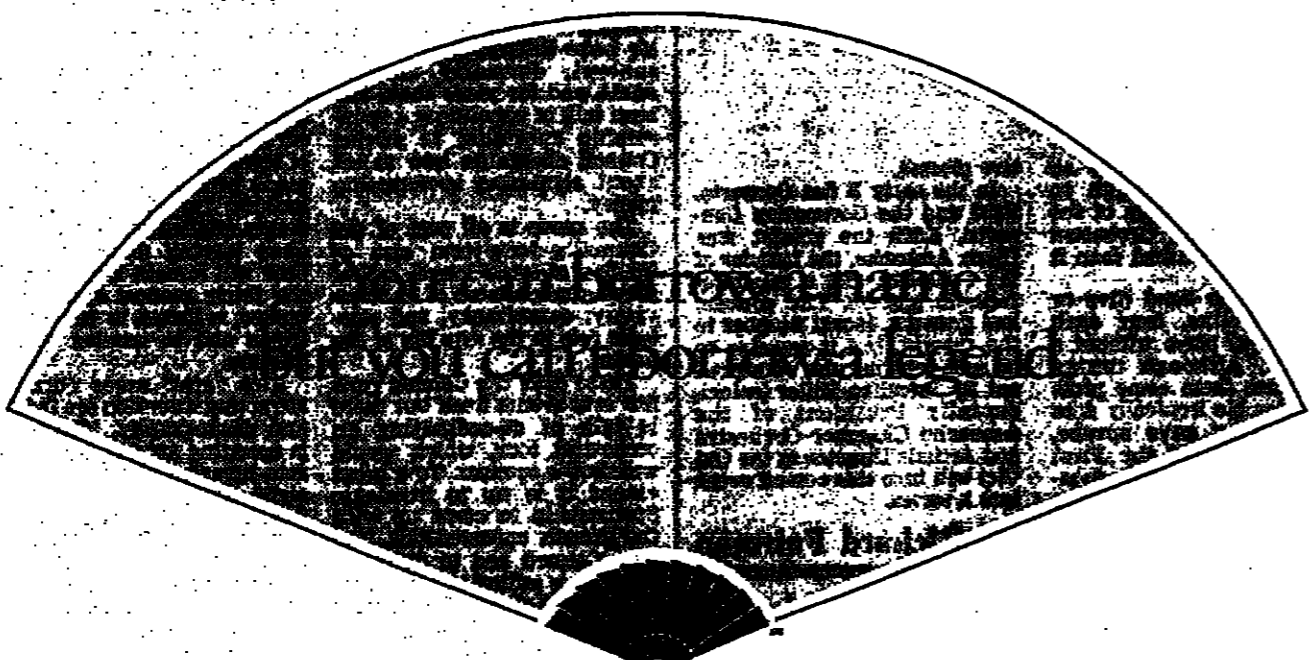
"By starting to work in a foreign country as a student, you gain a lot personally - learning to stand up for yourself, adapting to a different way of thinking," says Fiona Anderson from the UK, also in her fourth year.

"It's a breakthrough in broadening horizons," says Robin Lange, a former British civil servant who has Austrian family connections and enrolled for the course last year to seek a more international view on life. "About 50 per cent of this year's fourth year students have already signed contracts with companies ahead of their graduation this summer," says Peise.

The jobs are mainly marketing and financial control - the chief course subjects. Information technology has been added to the curriculum under the four-country scheme started last year.

Students on the international courses study alongside people doing purely national courses. The two-country scheme does not try to compete with the national courses by imparting as much concentrated information on subjects like law or financial regulations in a particular country. Instead, it gives a broader view.

Peise says his courses are contributing to "an integrated Europe." He adds: "We need people who can co-operate in firms in more than one country - knowing not only the language, but also the different mentalities."



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Lucia di Lammermoor

GRAND THEATRE, LEEDS

It could only happen in the producer-dominated 1980s that the operas of Bellini and Donizetti should be looked upon as problem dramas, and that opera companies should so often fail to get them to work.

For their first attempt at Donizetti's Lucia di Lammermoor Opera North have borrowed the production originally mounted by Welsh National Opera a couple of years ago.



Valerie Masterton in Lucia di Lammermoor

Involved in the production at all comes when somebody did, when he was directing the opera with Callas as Lucia: simply put the spotlight on the prima donna and leave it at that.



Richard Fairman

London Classical Players

ELIZABETH HALL

The concert on Thursday in the South Bank's enterprising and instructive "Beethoven Plus" series sounded at first rather more like Beethoven Minus: minus, that is, the warmly cushioned, homogenised textures and sonorities that modern instruments give us, at least by comparison with their period counterparts.

Stanley Sadie



The Royal Opera House, Covent Garden, and the adjoining land it is planning to redevelop

ARCHITECTURE

Planners face landmark issue

Colin Amery on the Royal Opera House redevelopment scheme

The imminent judgment from the Court of Appeal that may affect the progress of the development of the Royal Opera House once again focuses national attention on important architectural and cultural issues.

reached its decision. The first is the really contentious one, although (with the second) it was convincingly dismissed by Mr Justice Webster in the High Court on February 8 this year.

stantial public benefits in the scheme prepared by the architects Jeremy Dixon/BDP in the form of shops, restaurants and promenades. It is likely that this aspect of the scheme will be enhanced.

Mozart at the Theatre

OLD VIC

The posters outside were announcing the forthcoming production of The Tempest but for the first time in many years the audience at the Old Vic had come for an evening of music rather than drama.

side - not unpleasantly so although it was enough to stop the intonation of the Ambache Chamber Orchestra strings as less polished than it ought to be.

Richard Fairman

SPONSORSHIP

Aid for the RSC

At last some good news for the Royal Shakespeare Company. In the last few months it has taken a critical pummelling while its arch rival, the National Theatre, has revelled in the optimistic publicity which has accompanied its new director, Richard Eyre, into Sir Peter Hall's seat.

There was to be more workshop projects; more teachers' courses - in fact a whole range of extra services for schools, details of which can be obtained from the RSC's Education Offices at the Barbican and Stratford. One with most potential is "Choices", pioneered in New York high schools, which aims to introduce Shakespeare students to the choices faced by directors, designers and actors when rehearsing the plays.

Unlucky was traditionally an active type of contemporary art to enhance its office environment but, for its size, it has not been a major sponsor of the arts. This may be changing. It is back on the art supporting trail and is sponsoring the Whitechapel Show to the tune of £15,000.

Next month Mooshead is backing a major exhibition of the photographs of Helmut Newton. The National Portrait Gallery is also backing a show of Newton nudes at the Hamilton Gallery.

Antony Thorncroft

SALEROOM

Images of Suprematism

Sotheby's stole a march on its arch rival Christie's in the summer by holding the first major auction in Moscow, selling contemporary Soviet art for more than \$2m.

Antony Thorncroft

ARTS GUIDE

September 30-October 6

- MUSIC London Beethoven Film is a series of concerts between September 18 and December 10 with a goal to set the composer's music in the context of his own time. The work of over 30 of Beethoven's contemporaries will also be featured.
- Paris Orchestra of the Age of Enlightenment directed by Gustav Leonhardt, with Anna Bystran (cello).
- Frankfurt Frankfurt Alte Oper, Orpheus Chamber Orchestra and Heinz Holliger (oboe) and conducting Mozart, Strauss, Ives and Tchaikovsky.
- Chicago Chicago Symphony Orchestra conducted by Sir Georg Solti, with Susan Dunn (soprano), Simon Estes (bass), Verdi, Orchestra Hall (Thu) (438 3122).
- Vienna Wiener Mozart Orchestra in historical costume. Mozart, Sothen, Festival Hall (Thu) (383 3191).

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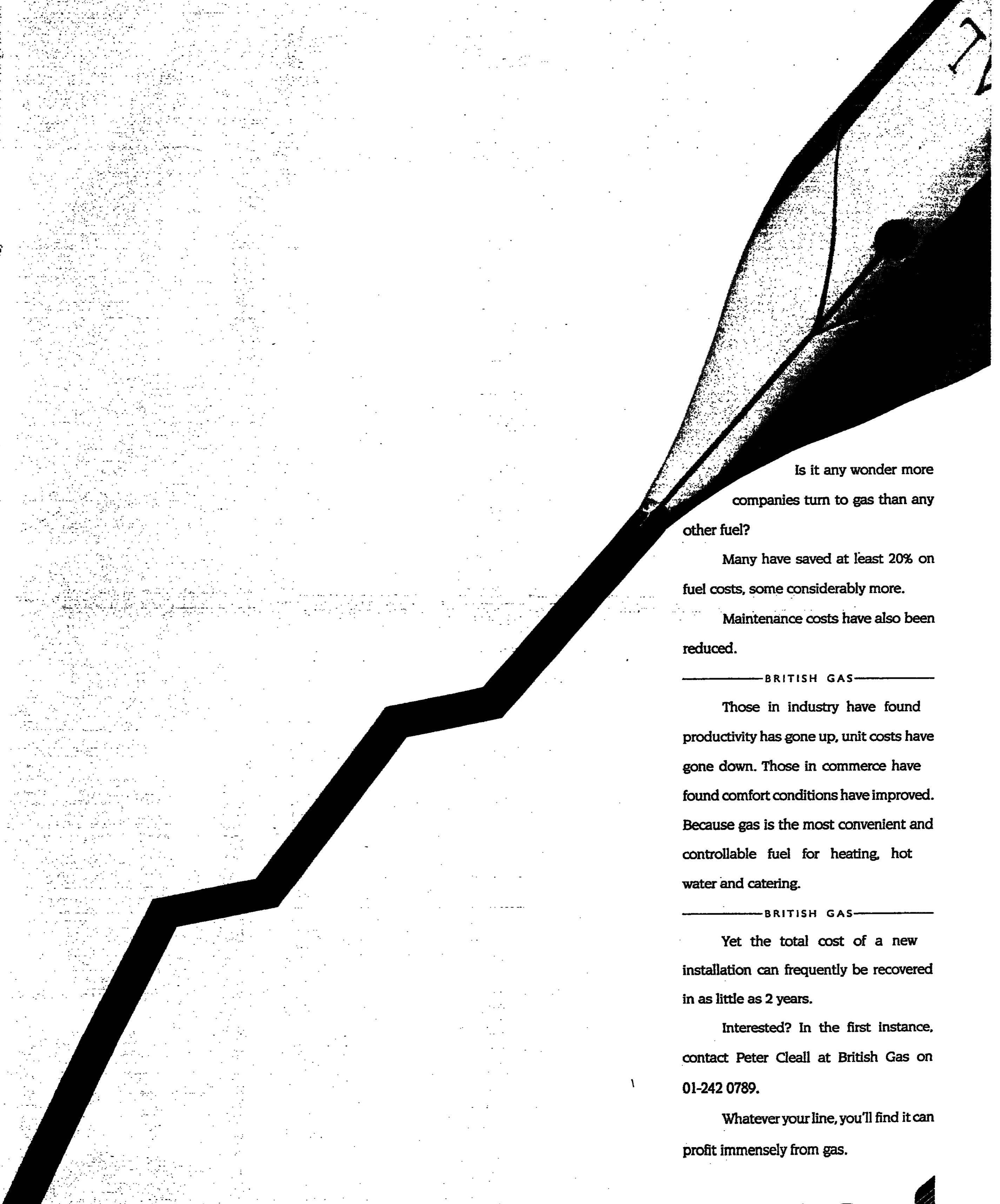
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Raymond Snoddy on the rush of takeover bids among publishing groups A chapter of acquisitions

President Gorbachev

ALMOST EVERYONE in the West wishes Mr Gorbachev well, and will therefore be relieved that he appears to have come out first on top in the latest Kremlin power struggle.

Never mind Mr Gorbachev would not be where he is if he were not a skilled practitioner of old-style Soviet politics.

Lessons from Piper Alpha

THE INTERIM technical report into the Piper Alpha North Sea oil platform disaster provides a dreadful catalogue of errors which show that the safety systems under the general supervision of the Department of Energy did not work.

Failed equipment At Piper Alpha the first explosion at 10 pm on July 6 was serious but not catastrophic. It caused a fire which burned for 22 minutes, before a main gas pipe ruptured, enveloping the whole structure in a fireball.

Publishers from all around the world were startled this summer by Mr Eric de Bellaingue's analogy. The publishing analyst told the International Publishers Association Congress in London that the civilised art of producing books and magazines was actually like the oil production business.

In the past two years, 32 significant publishing acquisitions by British companies have been logged in the US alone, although only seven in the opposite direction.

Washington's new look Those who arrive in Washington by way of the National Airport get a splendid view of the city's monuments from the air.

Washington's new look

Those who arrive in Washington by way of the National Airport get a splendid view of the city's monuments from the air.

Tebbit's past

Norman Tebbit's forthcoming autobiography, Upwardly Mobile, reveals a little of how the Government learned to adjust its statistics.

Table with 4 columns: Date, Target, Bidder, Value. Lists recent major publishing takeovers such as CBS Educational Publishing, Doubleday, Harper & Row, etc.

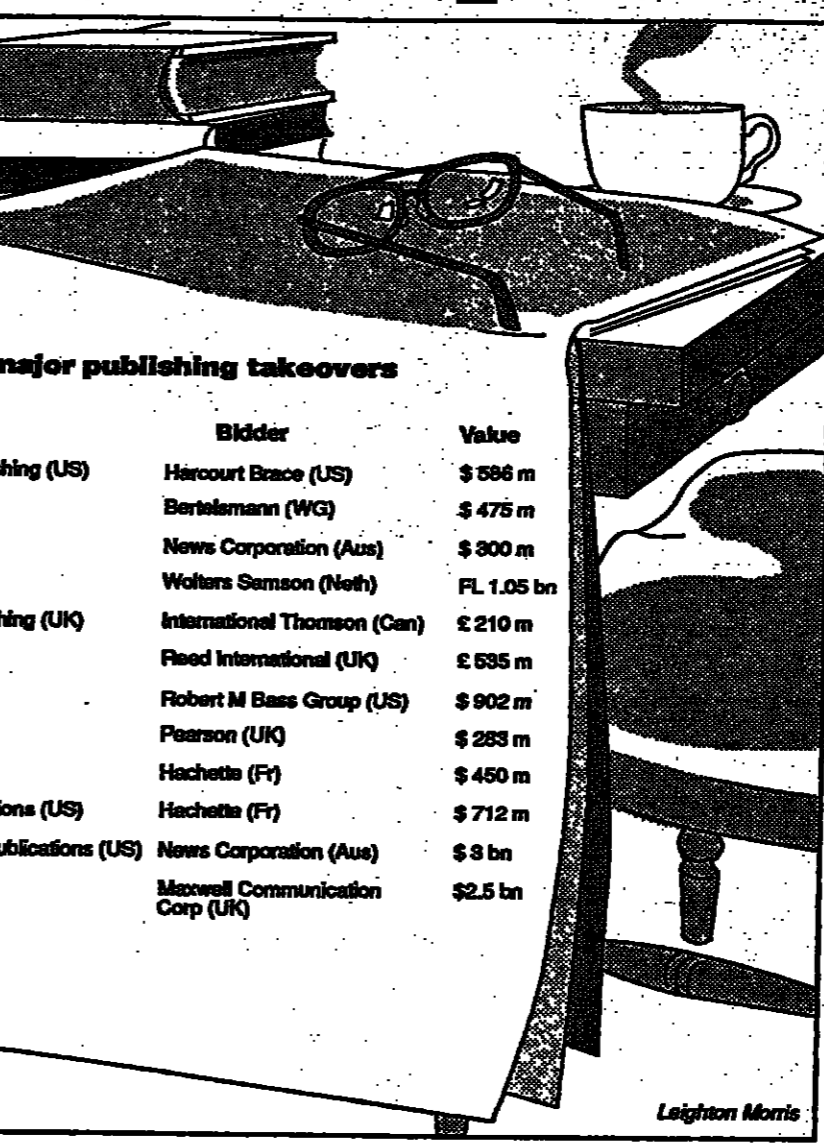
Recent major publishing takeovers

* Not completed ** Not agreed

CIBC Securities

Leighton Morris

towards globalisation in the industry more a tribute to megalomania and the fear of being left in the lurch than the precise search for economies of scale or true synergy.



Recent major publishing takeovers

* Not completed ** Not agreed

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Peter Diamandis is planning to test the globalisation theory further by launching the US magazine Flying, aimed mainly at private pilots, in Europe and the French magazine Femme is scheduled to cross the Atlantic next spring.

It is, he believes, a moot point whether the ability to mobilise large sales forces outweighs the disadvantages of the new publishing giants.

Both Mr Maxwell and Mr Murdoch, rivals in almost everything, agree about the importance of being in both the electronic and the print media.

And although copyright, like oil fields, is a hotly contested issue, the stream of words and images seems limitless, as limitless as the desire of ambitious men to control them.

OBSERVER

The station will help the revival in train travel which has been going on for some time.

Missing Gromyko

Sir Rodric Braithwaite, Britain's new ambassador in Moscow, has yet to present his credentials.

Noisy buses

Despite by-laws which mean that people can't hear their radios on buses can be fined.

Women's lib

An ad in a Survey women's club asks: 'How old is your dish-washer?'

We even prepare end of term reports.

Advertisement for R J Hoare Leasing Limited, featuring text about leasing services and contact information.

Guilty policies — what they are

By Samuel Brittan

amount they receive in aid.

Arms Sales. It takes two to tango and Third World governments were rightly condemned by the IMF managing director Michel Camdessus for giving arms priority over social needs. But government heads such as Mrs Thatcher who promote deals like Britain's much-vaunted \$1.5m arms agreement with Malaysia have also something to answer for.

Structural budget deficits. An undoubted effect of the US and other budget deficits is to raise real interest rates and inflate the costs of both debt service and new finance. A different policy mix, with tighter fiscal policy and lower interest rates, would help developing countries as well as investment in the industrial world.

All three major policy errors hit consumers and citizens in the countries practising them as well as the Third World. They are promoted by special interest groups whom the more excitable demonstrators are too unwise to pinpoint.

Where do the banks come in? "If the IMF and central banks had not stepped in with rescue

Banks can surely now be left to make their own deals with sovereign borrowers

cal left — that the banks, who fell overboard to offer their loans, should have been left to face the music, is attractive. But the risks to the world economy were probably too large and non bail-out stabilisation policies were too untied to take the risk.

Six years later, however, the banks have had ample opportunities to provide for bad debts and most have done so. They can surely be left to make their own deals with sovereign borrowers and let governments stop back a bit.

Such settlements will involve massive debt write-offs, however disguised. There was a memorable hospitality cruise on the Lake Wamsee when the redoubtable chairman of the Commerzbank, Walter Seipp, entertained his wardrobe guests by thundering: "I have not worked 16 hours a day for 40 years so that some Argentinian playboy can salt away money in Zurich."

He was neither more nor less moral than the more new look Alfred Herrhausen of the Deutsche Bank, who has a more flexible stance. But Mr Herrhausen has on his side the deity beloved by Prussian philosophers, namely history.

There are, however, two missing elements in the plans both of the reformers within the Fund and Bank and the more respectable radicals. One is a recognition that if there are to be positive resource transfers to the developing countries, either the latter will have to become more attractive to private investors; or Western taxpayers will have to dip into their own pockets, as the Japanese seem willing to do. It cannot all be done just by making banks suffer so that we all have to pay for our own concert tickets at the next annual meeting.

Secondly, and even more important, excessive concentration on debt relief risks distracting attention from the internal reforms which middle income and poor countries will have to undertake if they are to embark on self-sustaining growth. Write-offs there will have to be. But, as one financial statesman at the centre of the whole debt effort remarked to me, these are at most a necessary and certainly not a sufficient condition for a real attack on the poverty of the Third World.



Gibraltar: its involvement in the IRA case was fortuitous

Abbey Ashwood

Avoiding a full judicial inquiry

Louis Blom-Cooper reflects on the Gibraltar inquest into the deaths of three IRA terrorists

If the British government is justifiably satisfied by the verdict of the inquest into the deaths of three IRA terrorists, the case of three IRA terrorists will be equally satisfied by the manner by which it was achieved. A thorough inquest was converted into an extensive investigation of the events surrounding the deaths of the three without the full panoply of a judicial inquiry.

An inquest is the law's normal method of determining in a public forum the cause of an unnatural death. It is specifically not designed to provide a definitive way of probing the perplexities posed, as in this case, by the alchemy of politics, the security forces and threatened terrorism in a British colony over whose sovereignty two EC countries are in disagreement.

The coroner is the sole arbiter of the witnesses who appear before him. Any legal representation of interested parties is at his discretion and their participation in the inquisitorial process is a privilege, not a procedural right. More important, statements and documents called for by the coroner from one interested party are not disclosed to another. The examination of a witness by the legal representative of the victim's families is like shooting in the dark. But then coroners' law was never intended to facilitate the inquisitiveness of the deceased's relatives or indulge public curiosity. And there is rarely any need to extend the ambit of the jurisdiction of a coroner's court.

But cases that arouse instant public interest and intense media attention do demand a more expansive inquiry so as to satisfy a justifiable public demand to know, if not all, at least a good deal more than can be achieved from the unreasoned and perhaps unreasoning verdict of a coroner's jury. A full judicial inquiry would, unless its terms of reference were heavily circumscribed, penetrate any veil drawn over uncomfortable actions, and in its detailed report would lay bare all the material evidence and subject it to critical analysis. If there was to be any public scrutiny of those tragic events of March 6, the coroner's inquest in Gibraltar provided the least potentially damaging injury to the Government's point of view. The investigation successfully sealed off any embarrassment there might be from a wider judicial inquiry.

The coroner, Mr Felix Pizarro, commendably stretched the limits of his jurisdiction in

his evident desire to demonstrate the thoroughness of his proceedings. But he could never elevate the status of a coroner's court beyond its limited, defined jurisdiction. Sitting in a colonial territory, his desire to hear evidence from Spanish police witnesses about Spanish surveillance (or lack of it) of the terrorists' drive down the Costa del Sol was thwarted by the politics over the colony's sovereignty.

A suspicious mind might conclude that the British Government generally accepted the Spanish Government's distinction to allow any Spanish citizens to give evidence before the coroner which might thereby accord recognition to the colony's status — particularly since it was reported that the evidence was in conflict with that given by the SAS soldiers involved in the operation.

If that was a happy coincidence it was another reason why the government was happy to leave any inquiry to a colonial coroner.

The attempt by the lawyer for the victims' families to persuade the coroner to dispense with a jury seemed odd. Although it was purportedly on the ground that publicity saturation rendered any jury incapable of coming to the case unbiased, the best hope for a verdict of unjustifiable killing would be from unimpaired good men and true. (All 11 of the jurors were male because qualifications for jury service for women in the colony is unconstitutionally restricted.) The coroner wrongly ruled that he had no discretion in the matter. But he would have ordered a jury in any event, had he thought that he had any say.

There was a deliberate move also in Gibraltar not to enhance the status of the inquest.

The Chief Justice could have ordered the inquest to be conducted by a high court judge, but chose not to do so, as much for practical reasons as for any grounds of policy. Gibraltar in any event has only one high court judge. Everything was done to avoid, as far as possible, the inquest being conducted other than as a routine investigation of a cause of death.

The case is likely to revive the recommendation of the Brudrick Report, as long ago as the early 1970s, that where there are peculiar features of a death that excite public interest there should be a power to remove the inquest from the coroner's court to a more suitable forum. The Scots have a method of dealing with such

cases by way of their fatal accidents legislation.

There would have been nothing at all to prevent the Government from setting up a public inquiry to be held in the United Kingdom — nothing that is, other than an assessment of what might have been revealed beyond what could have been expected within the coroner's inquest.

Apart from satisfying demands for an uninhibited investigation there would have been other advantages. The inquiry would have attained a higher degree of thoroughness, simply because its jurisdiction would not have been trammelled by the law relating to coroners or to procedural rules. Its enhanced status would have carried a heightened public acceptance of its ultimate report and its findings.

It would, moreover, have relieved the Gibraltarians of the disruption of their lives and the intense security arrangements imposed on them. After all, the tracking down of the IRA terrorists and their subsequent deaths were hardly of Gibraltar's making. The involvement of the tiny country was fortuitous.

The reporting of the actual shootings, the television attention during the months awaiting the inquest and the press coverage of that inquest, have thrown up a host of problems in media-government relations. The misinformation that emanated from Whitehall on that fateful evening last March, in contradiction to what was being locally reported which accurately revealed the absence of any explosives on the terrorists or in their abandoned car, calls for some explanation.

The methods used by TV programmes in advance of the inquest has attracted critical comment about the propriety of such media activity. Thames Television's inquiry by independent assessors will need to allay public suspicion that techniques which would be frowned on if practised by authorities of the state are being employed. Suspicions of checkbook journalism, of journalistic arm-twisting and of mischievous testimony from eye-witnesses featured during the months from March to September.

The coroner's jury's verdict of justifiable homicide operates to exonerate the SAS soldiers of any unlawfulness in what they did, and will stifle any reasonable call for further inquiry. But the political and legal arguments that have encompassed the Gibraltar inquest will assuredly rumble on.

LETTERS

The trade deficit represents a supply side failure

From Mr Henry Neuburger.

Sir, Professor Maynard rejects my view that the trade deficit represents a supply side failure (Letters, September 28). His misfortune is that his letter was published on a day when the trade figures showed not only a substantial overall deficit but exports running 7

per cent below the level of last autumn. Whatever one may think of the import figures, this surely must be caused by supply side failure.

Of course the growth rate of the British economy has been rapid recently — as it could have been at any time that the Government chose to adopt an

expansionary fiscal policy. The indicators of supply side success to which Professor Maynard refers, however, show that the British economy was able to produce with less labour, not that it could produce more.

As many have suspected over the last eight years, the

"productivity miracle" has not survived into a period of rapidly rising demand. The final test of a successful supply side policy is enhancing the total production of the economy, not finding means to keep some of its resources idle.

Henry Neuburger,
21 Northchurch Road, NI

Objectives in total quality management training

From Mr Colin Williams.

Sir, I have no argument with Mr J.E. Regan's assertion (Letters, September 28) that the Cranfield Institute of Technology and other UK organisations provide world class management training facilities. While we at British Telecom make extensive use of these facilities, in the increasingly competitive and international environment in which we operate we need to draw on new

techniques and experience from the widest possible sources.

In the case of our drive towards total quality management (TQM), in the early phases of the establishment of the process we drew heavily on the experience and ideas of a number of well-known and highly respected US gurus — the people who "invented" total quality management.

Having established a TQM

framework, during the past three years we have had excellent support from a number of British consultants and valuable input from one or two UK business schools.

Quality management is a new subject, not just for companies such as BT, but also for many European universities and business schools. A major objective of the European Foundation for Quality Management is to increase aware-

ness of its importance among those institutions. Two British universities now have chairs in quality management and both the Foundation and British Telecom will be encouraging all UK educational establishments to include this subject in their curricula.

Colin Williams,
Director, Quality and Management Systems,
British Telecom Centre,
21 Neppure Street, EC1

Construction depends on a national framework of standards

From Mr J.D. Maiden.

Sir, Mr Alan Bartlett (Letters, September 28) applauds the proposal to move to a more locally-led drive on training to meet skill shortages. I would remind Mr Bartlett that the subject before the House before 1984 was the major force behind the introduction of the Industrial Training Act.

Whilst the approach outlined by Mr Bartlett may appear attractive to those industries where mobility of labour is less

acute and the level of skills less variable than in construction, I can say with certain knowledge that in construction the removal of a central regulatory body covering training standards, the development of new techniques and curricula and the establishment of the process are doomed to failure. Every effort must be made to improve current delivery mechanisms and the customer must influence the output. But if we are to compete on equal terms with the workforce of mainland Europe then the

"corner shop" approach is not good enough.

Because of the unique nature of the construction industry there is a clear need for a strong central body able to coordinate the training of a body of the nation's skilled manpower. A move away from the present arrangements would undermine a major industry.

Such an industry cannot be serviced by a multitude of well-meaning but totally inappropriate community initiatives. Construction needs a

long-term strategy which is designed around a national framework of operational standards but is at the same time flexible enough in delivery to meet fluctuating demands, regional differences and company needs. This strategy is well advanced and too radical a change could set the industry back yet again.

J.D. Maiden,
Construction Industry Training Board,
24-30 West Smithfield, EC1

'Environment policies must be founded on technical knowledge'

From Mr David R. Cope.

Sir, The force of your editorial "Testing the ozone," September 30) will have been totally negated for anyone with a modicum of chemistry by the mention in the last paragraph of "rain forests that mop up carbon dioxide from chemicals such as chlorofluorocarbons."

This howler is unfortunate for there is much of value in your observations. It is also, however, indicative of a wider problem.

If the environment, as the Prime Minister has argued, is to be one of the most pressing issues of the last decade of the 20th century, the debate on

policies must be founded on adequate technical knowledge. There is clearly a need to upgrade the technical quality of environmental education, but the Prime Minister was also right to emphasise the vital role of scientific research. There is, of course, a resource allocation issue here about which her message was less reassuring.

For the industrial production process, one of the most critical issues will be the balance struck between action based on proven scientific causal relationships and action based on the so-called "foresight" principle where a postulated rela-

tionship is so dire in its consequences if proved true, that action is justified in advance of the proven relationship. The correct striking of this balance will again require technically-informed debate.

Your observations also underplay the role that the market could play in ensuring higher environmental standards at minimum cost. For example, in the field of air pollution, the recent EC agreement on emission from large combustion plants, coupled with the impending increase in the number of enterprises emitting significant quantities of sulphur and nitrogen oxides,

following electricity privatisation, offers a unique opportunity for some form of emission reduction trading between them.

In many other areas of environmental concern, such as rural development, the creation of market rights, perhaps vested in some form of Joe Rogaly's "gemeinschaft" groupings, offers a way of internalising some of the environmental externalities without involving the over-heavy hand of the state.

David R. Cope,
UK Centre for Economic and Environmental Development,
12 Upper Belgrave Street, SW1

It used to take four to six years for a fruit tree to produce fruit. And people always had this dream of faster and better harvests. Now DSM, one of Europe's largest chemical companies, has helped realize this dream.

In co-operation with the Research Station for Fruit Growers in Holland, the researchers at DSM have developed a completely new fertilising technique for north-west Europe. They call it 'fertigation'.

It uses the environmentally benign drip irrigation system. The drip, however, is enriched with a special fertiliser which is fully soluble in water.

Thus the roots receive, drop by drop, moisture and nutrients. In exactly the right amounts. The results are remarkable: since we improved the drip, we've been able to harvest at least a year earlier. And both the yield and the quality have improved tremendously.

Fertigation is one of our technologies which is certainly bearing fruit.

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To get our fruit trees to grow a lot faster, we improved the water drip.

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Standard Life for all your commercial property needs



A healthy appetite for junk

AS DREXEL Burnham Lambert strives to maintain its reputation and minimise the risk of being found guilty of the Securities and Exchange Commission's insider trading charges...

True to his muscular reputation, the Judge last week went ahead without the US Attorney's office and blocked these attempts to gather testimony.

None of these manoeuvres seem to have affected investors' appetite for junk bonds or the willingness of company managements to finance highly-profitable leveraged buy-outs using high-yield paper.

Even the but recently from Representative John Dingell of the House Energy and Commerce Committee that more charges could ensue after his committee's investigation of Drexel's activities in the junk bond area...

In the first nine months of this year, the total invested in the junk bond market rose from \$600m to \$680m. Over the past three weeks alone, another \$100m has poured in from investors...

The Kemper fund was ranked the top high-yield fund last year by Lipper Analytical Services as well as the three years and five years ended December 31, 1987.

At the moment, Mr Urbaszewski is about 70 per cent invested in junk bonds with the rest in a mix of high-grade bonds, Treasuries and cash.

By December, the fund was again fully invested in high-yield junk, testimony to their resilience despite the crisis on the stock market.

Current favourite buys include the junk bonds issued by grocery stores; people go on buying basic food whether or not there is a recession.

Soviets lift obstacle to arms talks

By Judy Dempsey in Sofia

THE SOVIET Union has indicated willingness to withdraw its recently-stated demand that air-defence forces be excluded from East-West talks on conventional arms in Europe.

The latest Soviet concession, confirmed by senior Vienna-based diplomats, removes one of the last obstacles to the launching of so-called Conventional Stability Talks (CST), a disarmament forum grouping Nato and the Warsaw Pact.

Mr Edvard Shevardnadze, Soviet Foreign Minister, is reported to have explained Moscow's new position in talks in New York last week with his West German counterpart, Hans Dietrich Genscher.

The Soviet demand that air-defence forces should be left out of the CST was first advanced a month ago, to the dismay of Nato countries which rejected it out of hand.

The Western side wants the CST mandate to draw no distinction between offensive and defensive aircraft; while Soviet officials were, until a few days ago, insisting that the talks should focus on offensive jets.

Last week Marshal Sergei Akhromeyev, Soviet armed forces chief, suggested that Moscow might negotiate away its superiority in tanks and artillery in return for one-sided cuts in Nato's strike aircraft.

Another obstacle to the CST was removed last week when both sides accepted a compromise formula over weapons systems with dual (conventional and nuclear) delivery which Nato wanted excluded.

standing relates to the definition of the geographical zone covered by the negotiations. Nato wants part of Turkey, particularly those areas bordering Iran and Iraq, to be excluded; the Warsaw Pact has countered that part of the Soviet Caucasus should be left out.

There is also disagreement on Western proposals for a mechanism to monitor human rights on a more regular basis.

Nevertheless, several Western diplomats say they detect a sense of urgency among Warsaw Pact delegations at the CSCE, prompted by the onset of US presidential elections.

The communist states appear uneasy about prolonging the Vienna meeting beyond November because it would entail dealing with another administration in Washington.

But diplomats say there are still several stumbling blocks at the CSCE. One is over a Soviet proposal that Moscow should host a follow-up meeting on human rights; several Western countries, particularly the US, Britain and Canada are cool on the idea because they feel the Soviet Union has not done enough in human rights.

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British Labour leaders are re-elected

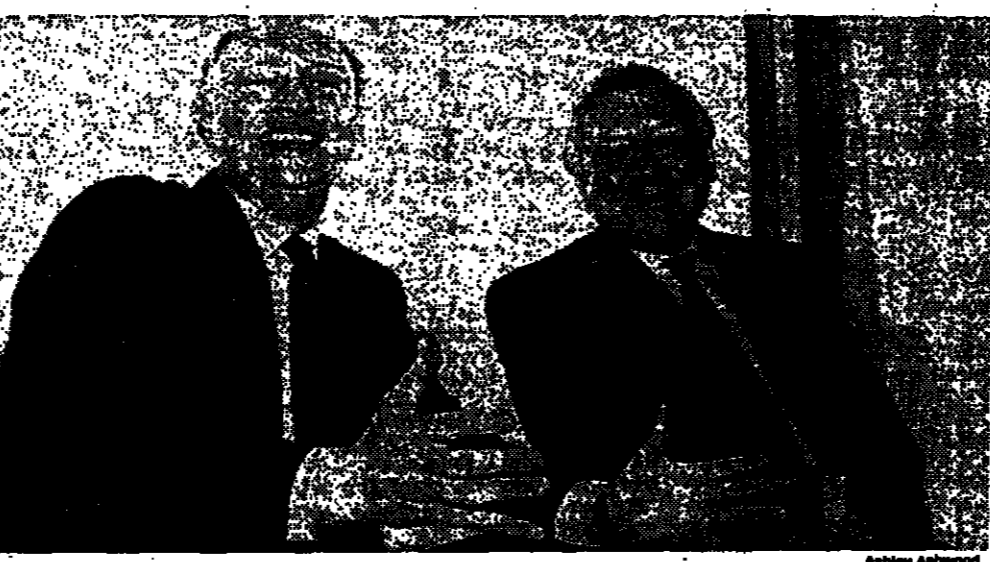
A triumphant Neil Kinnock and Roy Hattersley last night in the British election city of Blackpool, where they were re-elected as leader and deputy leader respectively of the Labour Party, the country's main opposition party.

Their comfortable victories over left-wing opponents were widely expected and, although the reception from the delegates to the party's annual conference was warm, it was less enthusiastic than when the two men were originally elected five years ago.

African states are trying to persuade the Angolan Government and UNITA to end their 13-year conflict. And President F. W. Botha of South Africa is conducting a series of forays into black Africa intended to cement non-aggression pacts with South Africa's neighbours.

It is becoming clear that the two men had discussed the Lusaka summit of leaders from Angola, Congo, Gabon, Zaire and Zambia, on his third visit to a black African state in less than a month.

A joint communique said that the two men had discussed the release of Mr Nelson Mandela, the jailed leader of the African National Congress, possible clemency for



Anthony Johnson

Heads of state strive for change in Africa

By Michael Holman, Africa Editor, in London

FIVE AFRICAN leaders are to meet in the Zambian capital of Lusaka on Thursday as part of internationally backed diplomatic efforts to bring independence to Namibia, and the war in Angola, and help create a climate for change in South Africa itself.

In a related development, General Olusegun Obasanjo, the former Nigerian head of state, is expected to leave London today for the Angolan capital of Luanda to continue an initiative endorsed by leading African states, and designed to persuade the Angolan Government and the UNITA rebel movement to resolve their differences at the conference table.

Three separate but interlocking initiatives are under way. The US is chairing negotiations for the implementation of a UN settlement plan for Namibia, presently controlled by South Africa. At the same time

Some of the pressure apparently came from Mr Werner Felke, the successful central committee secretary for agriculture. He went as far as mooted the idea of East Germany joining the IMF and the World Bank.

His sudden death last month robbed the SED of a potential reformer and even a possible successor to Mr Honecker.

For Romania's Mr Nicolae Ceausescu, the sweeping changes in Moscow do not hold well.

Mr Gorbachev has been more than patient with his maverick and Stalinist-style neighbour. Moscow has cautiously tried to cool the tensions between Romania and Hungary over the treatment of the Hungarian ethnic minorities.

But Soviet diplomats say that Mr Gorbachev is not prepared to interfere in Romania, even though Mr Ceausescu is an unattractive, if not negative advertisement for socialism.

Like everybody else, we continue to wait to see how one Russian diplomat put it.

But without Mr Gromyko and Mr Demichev, Mr Ceausescu now has few people to turn to in Moscow where he is due to visit this month.

Ripples spread across Eastern Europe

Continued from Page 1

since the 1960s, has insulated the status quo from any radical changes.

Thus it was with relief from among this generation, that Mr Boris Yeltsin, the outspoken party boss in Moscow, was sacked last year.

But Mr Yeltsin, as much as Mr Gorbachev, provided a beacon of light for the younger generation of Bulgarian party members. Exposed to lengthy daily bursts of Soviet television which is available to most of the population, they saw the spirit of "glasnost" or openness allowed in the Soviet Union.

And it could mean that in time, Mr Jakes may be required by Moscow to provide substance to his renderings of lip-service to glasnost and perestroika.

East Germany, under Mr Erich Honecker, who has recently returned from a visit to the Soviet Union, will also have to take stock.

Mr Honecker owes his position to the late Mr Brezhnev who promoted him as leader in 1971 and has been less than keen to undertake social and economic reforms, even though there has been recent signs of pressure from within the ruling Socialist Unity Party (SED) to introduce structural changes.

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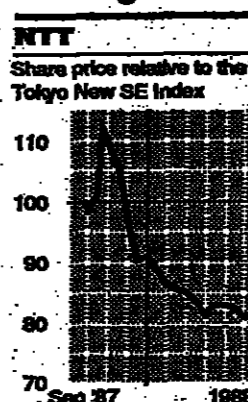
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NTT test the Tokyo line



It is a grisly coincidence that the pricing of the third chunk of Nippon Telegraph and Telephone (NTT) should fall on October 19. For foreign brokers especially, who are underwriting close to \$1bn of the \$1.8bn-plus issue, signing on the line in Tokyo will not be made any easier by wondering how Wall Street will choose to celebrate its anniversary later in the day.

To be sure, the chances of a BP-type disaster are remote. By contrast with the previous two instalments, private investors are expected to stay away in droves, leaving the field to institutions who can be persuaded to bite the bullet should things go wrong.

All the same, it will be a ticklish business; and despite the desire of the Japanese authorities to avoid the suggestion of price-riding, NTT looks like being the most important single influence on the Tokyo market over the next three weeks.

Although the pricing is in the naive sense automatic - a 3.5 per cent discount to the October 19 market price - it is made doubly sensitive by the fact that the first chunk at ¥12m a share was plainly too dear. Barring accidents, the result this time looks set to be a touch above ¥2m - which is at least an advance on the crude average of ¥1.87m, they paid for the first two issues.

It all drives a coach and horses through the Japanese tradition of bringing issues to the market at successively higher prices; but that has lately been under pressure anyway, particularly from Japanese banks tapping the market to meet the new rules on capital adequacy.

This leaves aside the question of whether NTT is remotely worth ¥2m a share. But that is hard to answer in isolation. NTT is like a distorting mirror for the Japanese market as a whole, showing its features in grotesquely magnified detail - the huge y/e, the tiny yield, the supposedly enormous real estate assets, the promise of developing into exciting but unspecified new areas.

There is an attraction about investing in a company where the management holds a substantial stake. It should mean that the management's interests are far more closely tied to those of its shareholders, and curb any appetite for frequent rights issues.

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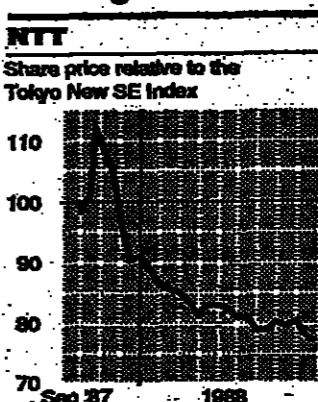
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confidence in the business. Indeed, there are plenty of companies with dominant shareholders ranging from the New York Times Company in the US to Fiat in Italy and Amstrad in England, whose investors have been well rewarded.

However, there are plenty of contrary examples. Mr Holmes a Court's Bell Group, which had to be rescued by Bond Corporation after last year's stock market crash, is a classic case where the company over-extended itself notwithstanding the chief executive's own very substantial financial involvement.

There are also several less dramatic cases where companies with a dominant shareholder have simply underperformed the market over a long period. Maxwell Communications shares have fallen by almost 60 per cent over the past year, and based on Datastream statistics, its relative performance is below average on a three-, five- and 10-year basis.

Both men are extreme examples of an unorthodox style of business operation, that has never found favour with institutional investors. Mr Rupert Murdoch and Mr Tiny Rowland would probably fall into the same category.

All four have built their companies into sizeable international corporations, own a substantial chunk of the equity and run them like a personal fiefdom.

Mr Murdoch and Mr Bond are impulsive and highly geared while Mr Rowland is equally unpredictable and appears to spend a considerable amount of his time plotting how to get even with the Egyptian-born Al Fayed brother. This does not sound a very defensible sort of strategy but over the long term investors in both Lounch, Bond Corporation and News Corporation would have handsomely outperformed the market.

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Table titled 'WORLD WEATHER' showing weather conditions for various locations like London, New York, Tokyo, etc.

Coffee quotas agreed

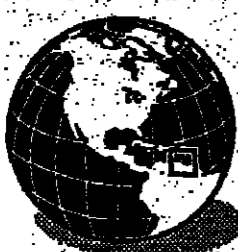
Continued from Page 1

biggest world producers, had proposed a quota of 54m bags, which would rise to a possible 68m bags if prices started to rise. But the US, the world's biggest consumer, was proposing a quota of just over 60m bags, which would be reduced if prices remained low.

En cualquier idioma, ANZ es el primer banco internacional de Australasia.

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FINANCIAL TIMES SURVEY



The fall in oil prices has dealt a heavy blow to the economy of Trinidad and Tobago. Tim Coone

looks at why things went wrong and the efforts being made to restore the fortunes of the Caribbean islands

A troubled economy

TRINIDAD and Tobago have the fortune that the hurricanes that sweep through the Caribbean every summer have so far not hit with their full fury. The eye of each storm always seems to pass to the north of the country's two main islands.

Prime Minister Mr. A.N.R. Robinson, has however, given a storm warning, doing so in the knowledge that turmoil of a different kind is on the horizon.

For this Caribbean nation's economy is in trouble and he is now urgently looking for foreign investors and bankers to help finance a recovery before a decline turns into a free fall. An austerity-cum-investment plan has been prepared which will be politically unpopular at home. If it fails, he can expect criticism, and political headaches ahead.

Mr. Robinson set off on a four-week European tour last month for talks on restructuring the country's \$1.5bn (888m) foreign debt, accompanied by the news that the nation's foreign exchange reserves are exhausted and a squabble within his National Alliance for Reconstruction (NAR) is threatening to tear the broad-based party apart.

He ignored calls to abandon his visit saying: "I could stay at home, but none of the vital

issues would be attended to. We are proposing a realistic programme for Trinidad and Tobago's survival."

Mr. Robinson's tour ends this week in the UK, where he is to hold meetings with the Mrs. Margaret Thatcher, the Prime Minister and with creditor bank executives and during which he will lay out his proposals to obtain a debt rescheduling agreement and an IMF standby loan.

Trinidad and Tobago is no longer the affluent jewel of the Caribbean that it was in the 1970s and early 1980s when oil prices soared, bringing a bonanza of wealth to the islands' population of 1.3m. The subsequent collapse in oil prices has produced a 30 per cent fall in real incomes over the past four years according to Mr. Winston Dookeran, the Planning Minister and people are finding the new economic reality hard to take.

The current foreign exchange crisis is severe. Reserves fell at the end of June to \$200m, less than sufficient for one week of imports. Many companies have gone on to three day working weeks and are laying off employees. The government even mortgaged one of the national airline's jet aircraft last month for \$21m to help pay public employees and



The smiling faces of Trinidad and Tobago at carnival time but for the present the good times are over

Trinidad and Tobago

to inject some foreign exchange into the Central Bank. Two further aircraft leaseback arrangements are in the pipeline.

Mr. William Demas, the Central Bank president told representatives from the private sector last month that the foreign exchange situation "has never been worse".

So what went wrong? About \$2bn was sunk into the Point Lisas industrial complex during the boom. Designed to use local natural gas supplies, urea, ammonia, and methanol plants were built together with an iron and steel complex, and all aimed at the export market.

Today those industries are running heavy losses due to a combination of world over-production, low prices and heavy finance charges to pay for construction.

Tax income and savings from the oil sector also helped finance rapid development of

social services and fuelled a boom in commerce. So much so that traditional areas of the economy such as agriculture, became neglected. Now 70 per cent of the islands' food is imported.

With the fall in oil income, the structural weaknesses of the economy and its over-dependence on oil became all too apparent.

The government's immediate plan is to rationalise government spending, redirecting current expenditure on wages towards new investment, especially in the energy sector where output has been falling.

In the longer term, diversification is to be encouraged with export-led growth through investment in agriculture, tourism and down-stream petrochemicals.

One of Mr. Robinson's targets is to obtain 55 per cent of a three-year \$3.6bn state investment programme from new overseas loans. Together with

direct foreign investment, this is what he believes will be necessary to turn round the economy.

The other 44 per cent is to come from divestment of state-owned enterprises. The telephone company is the first in line and talks are expected in London this week.

Also planned are major layoffs in the over-extended public sector.

Meanwhile, a recent 30 per cent devaluation of the currency was a further measure designed to create a favourable atmosphere at the IMF and creditor bank discussions.

However, as with all IMF agreements, intense political opposition is stirred at home, and Trinidad is no exception. Food prices have been predictably hard hit by the devaluation, causing discontent. Mr. Robinson is being criticised for leaving it until the final hour to begin talks with the IMF, a move he originally opposed

when he took office in December 1986.

With reserves exhausted, his negotiating stance is accordingly weakened. His reply is that it has taken until now to work out Trinidad's own economic proposals. To start negotiations without a plan he said "leaves only the Fund's proposals on the table".

Unemployment is already 21 per cent of the 500,000 workforce, and can be expected to increase substantially over the coming year as adjustment plans take effect.

Mr. Dookeran admits that the initial thrust of new state and private investment, directed at capital-intensive energy-based projects, will not ease the unemployment problem. He said: "Activity in the other more labour-intensive sectors will begin if we can start growth in the key energy sector."

Mr. Robinson has an optimistic time-frame "in 18 months

we will be through the worst" he said. The government is clearly hoping that new private investment, both foreign and domestic, will take up the unemployment slack created by the government's own rationalisation plans. In this context, plans for developing new offshore manufacturing facilities, in a duty-free export processing zone (EPZ), are being eagerly promoted by the private sector and are being equally resisted by the trade unions which fear the creation of "sweat-shop" industries.

Mr. Oscar Alonso, the chief executive of the Export Development Corporation, a government-funded body which boasts one of the most advanced trade information centres in the Caribbean, believes that Trinidad can be competitive in non-oil exports and that the EPZ is the way to achieve it.

He said: "We still lack the infrastructure. Where are the

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overseas trade missions, the forward distribution centres?"

"We have the high technology but we lack the basics. Some people still seem to believe that oil will come gushing out of the sewers at \$30 a barrel and save us."


The ability of the government to tap and mobilise the financial resources necessary to restructure the economy along less oil-dependent lines, will be its real test in future. It will be the test of Mr. Robinson as Prime Minister and as a political leader if he can keep his nerve, without letting the tensions spiral into violence as unpopular economic measures stir waves of unrest in this hitherto peaceable society. The ultimate goal is diversification and according to Mr. Dookeran "The economic map of the country will look very different in 10 years' time if we succeed in getting the resources" he said.

If they fail, enough economic headaches lay ahead to give the country a bumpy ride. Some are nervously aware of the fact that it was economic hardship in tiny Grenada just 100 miles to the north that was the catalyst for revolution and invasion less than a decade ago.

That experience demonstrated that Trinidad and Tobago's location at the mouth of the Caribbean, and astride major reserves of gas and oil make it a country of strategic interest, and not just to super-power politicians. Lying just a dozen miles off the South American mainland, the country is finding itself host to a disturbing growth in drugs traffic to the US, as are most of its neighbours in the eastern Caribbean island chain. There are inevitable nagging fears that this traffic could generate corruption.

The country's problems thus provide an interesting litmus of how economic troubles common to many countries in the Caribbean can be tackled. If Trinidad and Tobago, with its underlying wealth and political stability, cannot deal effectively with the recent steep deterioration in its economic position, then the prospects are grim for other Caribbean nations that are less fortunately endowed.

ADVERTISEMENT



Message by the Hon. A. N. R. Robinson, Prime Minister of Trinidad and Tobago

The publication of this Special Survey on Trinidad and Tobago is well-timed, as the new administration in Trinidad and Tobago takes on the challenge of economic transformation and adopts creative experiments in re-structuring the economy and the political system.

Liberal parliamentary democracy based on the Westminster model, an independent judiciary and a free press, are firmly entrenched in Trinidad and Tobago. A smooth transition of power has been effected following the December, 1986 General Elections which marked the end of 30 years of continuous rule by one political party. The transition has been managed in a uniquely peaceful and constitutional manner at a time of severe economic contraction and financial constraint, following the substantial petro-dollar windfall engineered by the OPEC cartel.

The new Government is adopting measures to diversify the economy, broaden its productive base and to create an environment which is conducive to entrepreneurship and innovation. It aims to reverse current declining trends in output and employment levels.

In a bold experiment in government, a series of tri-sector advisory bodies representing business, labour and government have been set up to chart the country's development path. This move is aimed at containing and transforming the adversarial relationships which are all too common in post-colonial societies. The move has been accompanied by other creative modes of co-operation in a process of consensus-building.

Four priority areas have been identified for medium-term investment targets. These are: energy, which remains the major revenue and foreign-exchange earner while the diversification programme is intensified; agriculture, which is crucial for import substitution and employment; generation; tourism, which has potential for foreign exchange earnings; the services sector generally; and manufacturing.

Our rich and diverse cultural expressions in literature, music, song, arts and craft and culinary blends have shown potential for profitable investment.

An export oriented manufacturing sector is the core of the outward-looking approach to economic development which is being adopted. New measures are being added to existing benefits to stimulate activity in this sector - one of the most recent being an exchange rate realignment from TTS3.60 - US\$1.00 to TTS4.25 - US\$1.00. This move is expected to assist the manufacturing sector to retain a competitive edge on export markets, as well as to increase the attractiveness of the tourism sector.

Commercial attachés are being placed at overseas missions to facilitate trade and procure new business for domestic exporters. The Export Development Corporation has moved to install instruments in support of the manufacturing sector. These include a State Export Trading Company, a Market Development Grants Scheme, overseas distribution centres in selected geographical locations, and export oriented cottage industries.

Trinidad and Tobago has traditionally adopted a mixed economy of private and public sector initiatives. Consequently, the rights of private investors have always been safeguarded. During the boom years, the Government assumed the role of prime mover and investor and established several large-scale, capital intensive industries in such areas as fertilizers, iron and steel, methanol and urea. Greater emphasis is now being placed on private initiative and private investment, including direct foreign investment.


The Government has also embarked on an extensive restructuring of the State Enterprises, including divestment and joint venture arrangements where appropriate, allowing for greater distribution of ownership and widening the scope of participation in economic management.

Considerable opportunities for investment exist in light manufacturing, petrochemicals and energy-based industries. Priority is being given to those enterprises which earn foreign exchange, create a significant number of new jobs, make efficient use of local raw materials, offer prospects for further expansion and facilitate the adoption of modern technologies.

Under the Trinidad and Tobago Economic Free Zone Act of 1983, provision has been made for income tax holidays; duty free importation of machinery, equipment and raw materials; repatriation of capital and profit, and operating in a currency of the investor's choice, once it is freely exchangeable on the open market.

The Point Lisas Industrial Park which accommodates the free zone area, offers access to substantial natural gas reserves at competitive prices; infrastructural amenities and a sheltered deep water harbour.

Potential foreign investors also stand to benefit from the availability of a highly trained population with a literacy rate of over 98 percent and a wide range of skills, including specialist skills in all major disciplines. The country's physical infrastructure is well-developed and complemented by an extensive support service network including banking and finance, commerce and communications, transport and port facilities.



The Republic enjoys a strategic position at the cross-roads of the Americas. Preferential access is available to the United States and Canadian markets under the Caribbean Basin Initiative and CARIB-CAN, and to European markets through Lomé 111. Trinidad and Tobago has also acceded to the Global System of Trade Preferences, under which some 48 developing countries will seek to target each other's markets for products traditionally and indiscriminately imported from industrialised countries.

While the nation remains determined to ensure the widest possible participation by its nationals in the economy, we fully recognise and make provision for the crucial supportive role which foreign investment must play in the process. As stated in our investment policy: "Government welcomes foreign investment as a means of widening the productive base of the economy; strengthening the technical, marketing and productive expertise of nationals of the Republic and expanding output.

"Our current difficulty notwithstanding, we are confident that Trinidad and Tobago will soon resume a path of self-sustained growth and of dynamic and creative social development.

A.N.R. Robinson
PRIME MINISTER

The Hon. A. N. R. Robinson,
The Prime Minister's Office,
Whitehall,
Port of Spain,
Trinidad.

TRINIDAD AND TOBAGO 2

Guiding through austerity measures is a thankless task

Profile: A.N.R. Robinson, Prime Minister and Finance Minister

A testing time for premier An administrator with talent

THE TASK of Prime Minister in Trinidad and Tobago would be difficult for whoever filled the post now.

For the present occupant, Mr A.N.R. Robinson, the task is even more thankless however. For he is in the process of implementing a package of austerity and rationalisation measures as part of a broader economic recovery plan, with a divided party behind him, a resurgence of racial undertones in local politics, and facing a vociferous opposition which is waiting to hoot and rail at every error and setback of his administration.

Trouble was in store for his party from the moment it was formed into the National Alliance for Reconstruction (NAR). A loose broad-based alliance, it came together for the purposes of the 1986 elections, to challenge the central government's mandate that the People's National Movement (PNM) had exercised since self-rule was introduced in 1966 and following independence in 1962.

Various factors led to the ultimate defeat of the PNM, among them the death of its charismatic leader Dr Eric Williams, the party infighting subsequent to his death, and the waste and corruption in government that the party came to be associated with. However, one of the major planks of the NAR's platform was to cross the racial divide. The PNM was widely seen as the party of those of black African descent, and whose occupations have tended to concentrate in the service and state sector. The community of East Indian descent, which at 40 per cent of the population is numerically now the same size as the African but has tended to predominate in agriculture and commerce but until now has had little say in government. (The small community of European descent has quietly held the reins of industrial and financial power within the country, but has remained on the sidelines of Trinidad politics since independence.)

The NAR was formed from four factions - the Organisation of National Reconstruction, a conservative-centrist party, Mr Robinson's small Democratic Action Congress from Tobago, the United Labour Front led by Mr Basdeo Panday with the backing of the Indian community and sugar workers, and a

left of centre grouping, The Tapia House movement led by Mr Lloyd Best.

The landslide victory the NAR obtained in the 1986 elections, sweeping the PNM out of all but three of the 36 seats in the House of Assembly, was a damning indictment of the PNM and an indication that the islands were ready for more racially harmonious politics.

The groupings within the NAR alliance abandoned their former party structures to become a unified party, but the factions re-emerged soon after coming to office. The manifesto of the party was broad ranging and in parts contradictory, attempting to offer everything from social justice and expanded welfare programmes through to faster industrial growth and development and a more dynamic role for the private sector. At the same time it promised to give the Indian community equal representation within the government.

Given the breadth of the ideological spectrum within the NAR, and the strong personalities involved, splits were inevitable

The first split was that of Mr Best, when it became clear that the welfare programmes were not to get the same priority as private sector stimuli.

The second and a more serious split is about to take place with Mr Panday. He said: "We calculated that on the various managing boards in the public sector Indians occupied only 4 per cent of posts in 1986." He added that they had succeeded in changing that to 22 per cent, but that a Cabinet rebellion led by him earlier in the year has resulted in all of them being sacked.

Mr Panday along with five other leaders were suspended from the party in May this year. He and his supporters are now planning the formation of a new party, but organised on multi-racial lines, to steal the ground from under the NAR.

Mr Bhoze Tewari, the secretary general of the NAR, criticises Mr Panday for being too hasty to change the ethnic make-up of government. "If you move too fast you cause deeper problems than the ones you are trying to solve", he said. The differences went further

than that however. Mr Panday is identified with the left of the party, and as leader of the Sugar Workers' Union, a sector that is facing large-scale cut-backs and unemployment under the government's present policies.

Both he and Mr Best of the Tapia movement also accuse Mr Robinson of having an autocratic style of government. According to Mr Panday: "He is a prime minister without a political base, but who is trying to create one through patronage and autocratic management."

Both were in the inner circle of the NAR and left because they felt their views were being ignored.

Given the breadth of the ideological spectrum within the NAR, the contradictory interests and the strong personalities involved splits were inevitable.

The government's isolation has been further aggravated though by the Progressive

shop but not the rank-and-file". Mr Panday is confident of winning the six seats should by-elections be held, as they are all in solid Indian constituencies, but he doubts that Mr Robinson will risk calling by-elections for fear of what the results might show. Mr Panday says he is also likely to allow Mr Patrick Manning, of the PNM, to remain as formal leader of the opposition, a position Mr Panday would be entitled to with his six seats, in order to leave the door open to a future coalition government.

Mr Manning though is dismissive of coalition politics: "Not in my lifetime" he said, even though the social democrat type policies he espouses are broadly similar to those of Mr Panday.

Mr Panday however is convinced that the future political panorama of Trinidad and Tobago will be one of coalition governments, as he thinks no single party will be able to win an absolute majority and he is prepared to await the next elections in 1991.

To the left of the main parties, attempts are meanwhile being made to revive a Trinidad and Tobago Labour Party, the effort being led by the CPRT. If they succeed they will probably draw in the more radical elements, such as the outspoken Ms Marie Hodge, who worked in the government of Mr Maurice Bishop in neighbouring Grenada and recently led an impassioned attack upon the proposal to establish Export Processing Zones in Trinidad. In spite of her past, she is not a proponent of violent opposition though. She said: "It would be counter-productive although that is not to say the situation won't come to that."

Mr Tewari of the NAR is also aware of the dangers. "There is a thin line between economic transformation and social unrest," he said. If it should slide to the latter, the NAR's inexperience and internal weaknesses make the future unpredictable. It will be the test of Mr Robinson's leadership and also of the leaders of the opposition to steer whatever conflicts emerge towards their democratic solution rather than authoritarian alternatives.

The ONE block within the party have so far remained faithful although Mr Panday says "Robinson has the leader."

Tim Coone

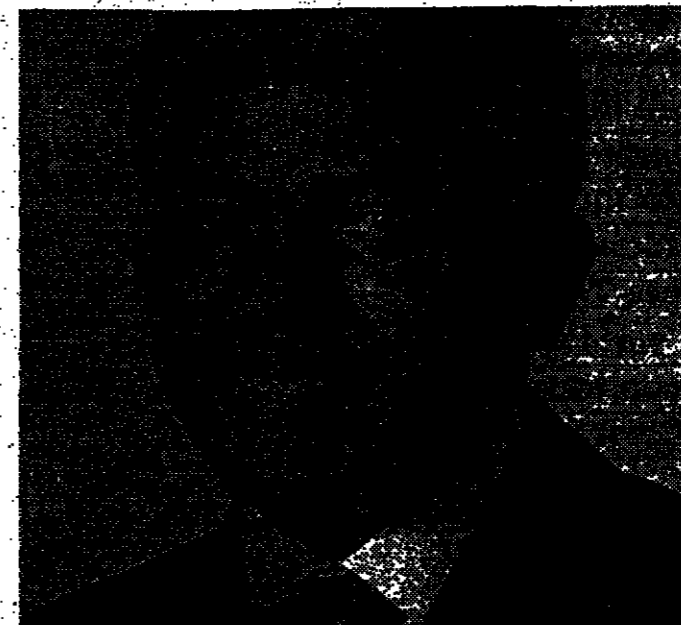
GOVERNING Trinidad and Tobago today is not an easy task, and could be a thankless one. But Mr A.N.R. Robinson, the Prime Minister and Finance Minister, believes there is in his compatriots, sufficient understanding of the country's economic problems.

"There will be hardships, heavy of the austerity which will be forced to implement in the next few months. These hardships will be overcome."

Mr Robinson's optimism recalls his attitude to the chances of his National Alliance for Reconstruction on the eve of a general election in 1986.

Many - and not only critics - were unimpressed by his promise to hand a heavy defeat to the People's National Movement which had formed the government for the past three decades.

"He is really a talented administrator," said one leading businessman who confessed to being a supporter of Mr Robinson's party. "But there is a danger of him being overwhelmed by the nature of the economic problems while struggling with the rift in the party."



A.N.R. Robinson: looking for firm ground in economic quicksand

One faction of the party, led by former ministers, is rebelling against Mr Robinson's leadership. Although there had been no

years ago. He was a founding member of the PNM, and had become deputy political leader of the party, and finance minister when he resigned in 1970. The resignation followed many differences with Dr Eric Williams, the then Prime Minister and party leader.

A lawyer, aged 62, Mr Robinson eschews political labels, admitting only to moderation and practical policies to deal with Trinidad and Tobago's political and economic circumstances.

Dapper and somewhat self-effacing, Mr Robinson might not immediately suggest that he has what is accepted as typical of most successful Caribbean politicians - viz catching cheques, backed by harem and bombast at the hustings. But his detractors and supporters agree that underneath he is tougher than appears.

Given the problems with which he is grappling, however, Mr Robinson's place in Trinidad and Tobago's political history could be determined by the strength he displays in finding firm ground in the economic quicksand.

Carole James

PROFILE: PATRICK MANNING

Learning a lesson from poll defeat

AFTER 15 years in government, Mr Patrick Manning is pleasantly surprised by his own job.

"Opposition politics is far more interesting than I thought it would be," says the leader of the People's National Movement.

"I have learned a lot about the role of an opposition in a democracy. It is of more than nuisance value. It can keep a government on its toes and we have done much better than the government anticipated."

In addition to keeping the government on its toes, the 49-year-old Mr Manning is spending time rebuilding the ranks of the PNM - a job which diplomats in Port of Spain say he is doing successfully.

The constituency parties were left in disarray after a humiliating defeat in 1986 by the National Alliance for Reconstruction, ending three decades of government by the PNM. Mr Manning is, by academic training, a geologist.

Moving from a job with a local oil company into active politics only two years after leaving university, he says, was a conscious decision.

"It was while I was a geologist working with the oil company that I was approached by

and a country that is close to economic prosperity," Mr Manning says. "I hope to see a society that is stable and one in which the social services are strong. Much of this may not be achieved in my lifetime, but I hope I will see an economy which has a greater measure of security against international adversity."

Carole James



Patrick Manning: rebuilding the ranks of his party

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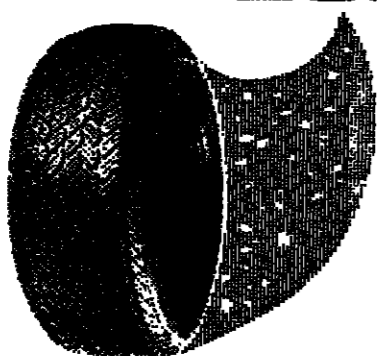
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TRINIDAD AND TOBAGO 3

A heavy price is being paid for having tolerated a lop-sided economy

Hard times overtake islands

CAROL MENDOZA, emerged confused from a supermarket. "I really do not know what is happening in this country, imagine, I cannot get a piece of cheese to buy."

Her confusion is shared by Trinidad and Tobago's civil servants who, after having payment of their salaries delayed, marched through the streets protesting what they claim is a government plan to do away with 25,000 of their jobs.

The lack of cheese and the likely cutback in the state sector are but two indications of the hard times which have overtaken an economy which, less than a decade ago, was among the most vibrant in the Caribbean.

The basic feature of the situation is that our gross domestic product has been declining for the last six years, at an average 5 per cent a year, so we have lost one-third of our GNP, and therefore the size of the cake has to be reduced," explained Mr Roy Robinson, the Prime Minister and Finance Minister.

The second reality is that we have been paying out over the last six years a great deal more than we have been receiving, so the foreign reserves have been exhausted.

The country is now paying the price of having for too long tolerated a lop-sided economy, overly dependent on one commodity for its foreign earnings and for the government's revenues. The petroleum sector accounts for about 70 per cent of the country's exports, and its contribution to the government's revenues has fallen by a half since 1981 to roughly 30 per cent last year.

The big problem is oil, not just the fall in prices since 1985 but also the fall in the level of production," said Mr William Demas, governor of the central bank. "We have suffered from a double whammy."

The result is clear in the state of the foreign reserves which have tumbled from US \$5m (£1.7bn) at the end of 1982 to \$2m at the end of June.

The government's revenues this year will be TT\$57m (£21.5m) below projection. Reduced earnings led to a \$250m deficit on the current account of the balance of payments last year, unemployment has moved to 21 per cent

Period	Quarter	Exports	Imports	Balance
1983		5.622	6.173	-0.555
1984		5.205	4.957	+0.248
1985		5.235	3.731	+1.504
1986		4.578	4.232	+0.346
1987		4.254	4.980	-0.726
1988	1st qtr	1.518	1.025	+0.493
	2nd qtr	1.208	1.249	-0.041
	3rd qtr	1.053	1.320	-0.267
	4th qtr	1.063	1.305	-0.242
1987	1st qtr	1.331	1.195	+0.136
	2nd qtr	1.230	0.846	+0.384
	3rd qtr	1.408	1.045	+0.363
	4th qtr	1.285	1.300	-0.015

Source: Trinidad and Tobago Central Statistical Office

from 10 per cent in 1981, and the economy contracted 6.1 per cent last year following a 4.5 per cent fall in 1987.

There is increasing concern about the government's ability to honour its foreign exchange obligations, including debt servicing and paying for its imports. "In allocating foreign currency our priorities are basic foods, medicines, agricultural inputs and capital equipment for industry," said Mr Demas.

While admitting to the impact of the soft oil market on the economy, Mr Robinson has suggested that some of the blame must be accepted by the former People's National Movement administration which was defeated by the Prime Minister's National Alliance for Reconstruction just less than two years ago.

This has raised the hackles of Mr Patrick Manning, leader of the opposition PNM.

He countered somewhat testily: "They cannot pin that one on us. It is not fair to claim that the government inherited an economy which we had damaged."

"The fall in oil prices led to a loss in revenue. We saw the contraction and implemented corrective measures including the 33 per cent devaluation in 1985. But all that was destroyed by the fall in oil prices in 1986. It was clear that whoever won the election would have to address the fiscal situation."

Mr Robinson has attempted to deal with the economic problems on two fronts. He has cut this year's TT\$2.5bn capital budget by a half, and reduced by 5 per cent the TT\$5bn recurrent budget.

The currency has been devalued by 15 per cent to a rate of TT\$4.50 to the US dollar. Some salaries in the government service are being cut, subsidies to state companies reduced, while petrol prices have been increased to help close a projected revenue shortfall.

Mr Robinson's second effort has been to seek foreign financial support. The government is negotiating with the International Monetary Fund for a compensatory financing facility to help cover the shortfall in earnings from oil.

The Prime Minister believes he could get TT\$90m under this facility but the drain on reserves has raised doubts about the country's ability to service its foreign debts.

Approaches are being made to foreign official and commercial creditors but they are unlikely to be considered seriously until there is an agreement on an IMF programme for Trinidad and Tobago.

"We have no firm decision on the standby arrangement, and we are pushing first for the compensatory facility," said Mr Robinson. He said he expected Trinidad and Tobago could get about \$90m under the standby facility. "We are also arranging meetings with our creditor institutions to have a rescheduling of our foreign debt."

Servicing its foreign debt will put a strain on the reserves during the next three years. Debt service obligations will demand \$474m next year, \$537m in 1990 and \$337m in 1991. Mr Demas explained that this problem of the 'bunching' of repayments is the result of medium-term borrowing to finance industrial projects. "We are meeting our debt servicing obligations at the expense of our imports," he said.

Most of the government's foreign debt had an original maturity of less than five years, while much of the rest was of between five and 10 years maturity.

With an IMF 'seal of approval' in the form of a standby programme, refinancing might not be difficult. Roughly two thirds of a country's foreign debt is owed to private financial institutions.

The government is also seeking local and foreign support for a public sector investment programme with projects in the energy sector, infrastructure and agro-industrial plants.

Mr Robinson said the target for the next three years is expenditure of TT\$3.9bn, of which 44 per cent will be raised locally and the remainder from overseas.

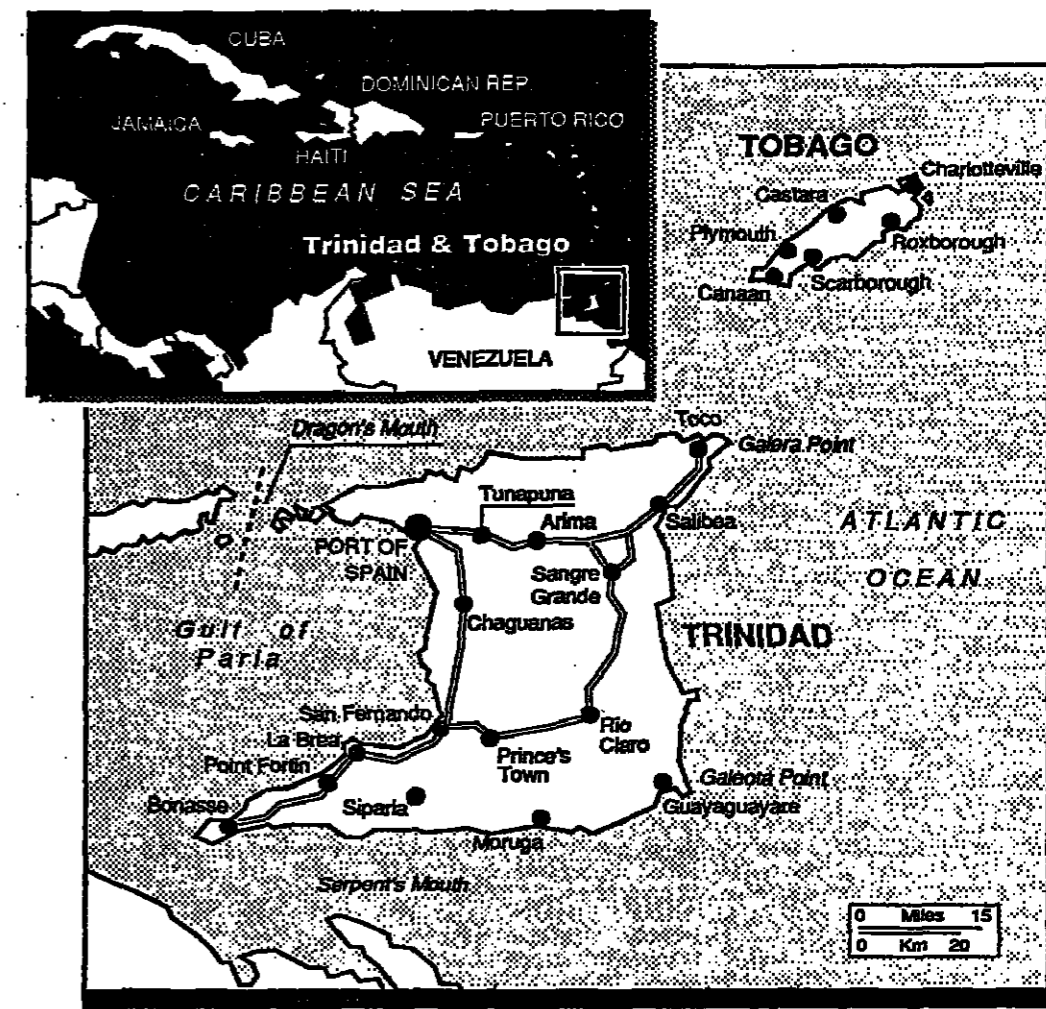
Mr Manning's proposals to deal with the economic problems differ from Mr Robinson's programme, although there is agreement on the need for an agreement with the IMF. "The government has to go to the IMF," said the opposition leader. "We told them that if they had to go then they should go sooner rather than later."

Much more could be done, he said, if the internal wrangling, which has split the ruling party, did not give an impression of political instability which does little for the confidence of prospective foreign investors. Mr Manning would like to see some deregulation of the economy to stimulate activity and create jobs, with increased incentives for investment, including policy changes to allow foreign ownership of property.

"What is needed most of all is political stability and confidence in the country."

For Trinidadians like Mrs Mendoza, her concern over cheese may not be immediately satisfied. Mr Robinson promises: "In 18 months Trinidad and Tobago will be through the worst and will begin to make the progress we would like to achieve."

"These are difficult times, not desperate times, for Trinidad and Tobago," concludes Mr Demas. Yet there is little to indicate how Trinidad and Tobago can quickly escape its over-dependence on oil. The expansion of a petro-chemical sector and new attention to tourism will take a few years - if they are successful - to give meaningful support to the economy. But diversifying the economy, said Mr Demas, will not be easy. "We all want to be less dependent on oil, but this is a conundrum. To diversify from oil you need more oil - you need more money from oil."



TRINIDAD AND TOBAGO KEY FACTS

Area	5,128sq km	Imports (Feb 1986)	\$1.04bn
Population	1.2m	Trade balance (1987)	-\$355.3m
Capital	Port of Spain	Current account balance (1987)	-\$268.7m
GDP growth (1986)	-1.1%	Debt (1986)	\$1.15bn
GNP per capita (1986)	\$5,360	Debt as a % GNP (1986)	24.6
Exports (Feb 1987)	\$1.4bn	Debt service as a % GNP (1986)	4.87
Oil as a % of exports (1986)	71.6%	Rate of inflation (1987)	10.74%

	1982	1983	1984	1985	1986	1987
Crude petroleum (million barrels)	32.0	33.7	31.3	34.8	32.9	28.4
Value (\$m)	1,116.4	1,099.4	955.4	1,021.0	551.8	519.9
Urea (kg m)	44.8	38.7	61.9	961.8	502.7	465.3
Value (\$m)	6.6	5.9	8.8	52.7	47.0	41.4
Steel products (metric tonnes 000)	115.1	169.9	215.4	129.8	315.8	n.a.
Value (\$m)	18.8	25.1	36.5	22.2	78.5	72.9
Sugar (metric tonnes 000)	50.2	62.5	73.3	68.2	57.6	53.2
Value (\$m)	21.9	25.8	28.7	22.0	23.3	28.1
Anhydrous ammonia (kg m)	712.5	1,196.6	1,173.9	1,157.5	1,120.7	1,076.4
Value (\$m)	98.8	151.5	180.3	186.2	125.4	112.6

n.a. = not available. Source: Central Statistical Office



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TRINIDAD AND TOBAGO 4

Imported food price rises prompt fresh look at agriculture

Devaluations put strain on household budgets

AGRICULTURE IS the step-child of the Trinidad economy. From being the main source of wealth during the early years of its colonisation, the sugar, cocoa and coffee plantations gradually slid into neglect following the discovery of oil at the end of the last century.

With the 1970s oil price boom, and abundant foreign exchange flowing through the economy, a cheap food policy became the vogue such that imported produce largely displaced that grown locally. High wages and a land price boom, fuelled by the oil revenue, further reduced the competitiveness of the local agricultural sector.

It's minor contribution to the economy is reflected in the fact that 70 per cent of the country's food supplies presently have to be imported each year. At the height of the oil boom that proportion reached 90 per cent, in spite of the availability of abundant fertile land on the islands.

The result has been to make food supply highly vulnerable to foreign exchange shortfalls, as is occurring now, and caus-

ing devaluations of the currency which are extremely damaging to household budgets. About 30 per cent of family income is spent on food and the last two devaluations have cut deeply into real incomes.

Previous governments have repeatedly tried to stimulate expansion of the agricultural sector, but have only achieved any significant success with intensive livestock production.

This has been achieved however through tax and import incentives on imported feed-stuffs, making the livestock industry also highly dependent on imported raw materials and hence facing the same vulnerability as the food sector.

In a recently published study of Trinidad's agriculture over the past 25 years, Mr Winston Dookeran, a Permanent Secretary at the Ministry of Food Production commented: "These industries must be considered to be largely local assembly-type production units in which labour is the major, if not the sole, component of value-added."

He also criticises previous policies for failing to give adequate price signals and incentives to producers. He said:

"Monetary policies tended merely to recognise and institutionalise the situation of low marginal efficiency and returns to capital investment in the agricultural sector" and that as long as oil income continued at a high level the government preferred to opt for a cheap food policy by importing from the world market, rather than diverting resources to investment in agriculture.

The small proportion of bank loans to agricultural producers, at some 3 to 4 per cent of total bank credit, is indicative of the low priority that has traditionally been accorded to the sector.

Attitudes are starting to change however, forced by the new realities of the oil market. Government officials are hoping that although the recent devaluation has adversely affected food prices and hence consumers, it will send a positive signal to producers and stimulate them to plant and produce more.

Mr Winston Dookeran, the Planning Minister, said that government-supported research and extension programmes are underway to produce genetically-improved livestock domestically instead of having to import them, and to produce animal feeds from locally-available by-products, especially from the sugar industry.

A new policy emphasis on export-led growth, is creating opportunities for growers interested in planting new crops for export. Output has meanwhile been growing over the past 18 months, apparently due to rising unemployment in the rest of the economy encouraging a gradual drift back to the land.

The sugar industry for its part, one of the oldest on the islands, is facing an uncertain future due to world overproduction, high-cost production methods and gradual loss of export quotas to both the EC and the US markets.

This year the government owned Caroni sugar mill, is set to cut production by 30 per cent, primarily for the domestic market.

Mr Basdeo Pandey, a leading politician and head of the sugar workers union, has condemned the decision saying it will cause serious unemployment problems in some communities that depend on the mill. He admits privately though that the Trinidad sugar industry has a limited future other than for the domestic market and that production will eventually have to be diversified into other crops.

Present government emphasis is, therefore, on production of import-substituting crops, especially fruits and vegetables and which can also be used in downstream processing industries and sold for export. The proposed export-processing zones are expected to attract food processing industries among others.

Mr Lloyd Best, a prominent but outspoken economist, recently put proposed a school-feeding programme as a means of stimulating the agricultural sector and at the same time alleviating the burden of the food price increases on family incomes. The government's increasingly tight budgetary restraints make it unlikely that the proposal will be taken up, but the fact that every politician from across the political spectrum is now talking about the need for agricultural growth signifies that the sector may finally be on the verge of sustained development effort.

Even without cutting into the large tracts of rain forest which cover the islands, there is much agricultural land which is presently abandoned or under-utilised and which can once again be brought back into production.

It will be for the government to maintain the right price stimuli, and to make sufficient credit available at the right time to fuel the expansion.

All the previous governments have paid lip service to a reducing the country's dependency on imported food but all have so far failed to produce the desired results. With a different party in government now, there is at least an expectation that the ploughshares may once again start moving in Trinidad.



Trinidad's sugar industry faces an uncertain future owing to world over production and high costs

Foreign earnings projections are hit by market softness

Oil prices deal a crippling blow to islands' economy

BY ANY measure, Trinidad and Tobago is a small oil producer. The country now averages 150,000 barrels per day, and is not a member of Opec.

But for the country most things economic turn on oil. The cause of the problems afflicting the economy can be attributed, with justification, to oil. The shortfall in projected foreign earnings, said one economist, is the result of government planners predicting international prices at about \$18 per barrel.

The softness of the oil market coincided with indications of maturity in the Trinidad and Tobago oil industry, where production began declining. The government, in an effort to reverse the decline which has averaged 3 per cent per year since 1978, has offered new tax incentives.

Although earnings from oil have fallen by about 35 per cent since 1980, the sector is still the largest in the economy, accounting for 22 per cent of gross domestic product.

Consequently, lower prices and reduced production have had a crippling blow on the balance of payments and the fiscal accounts.

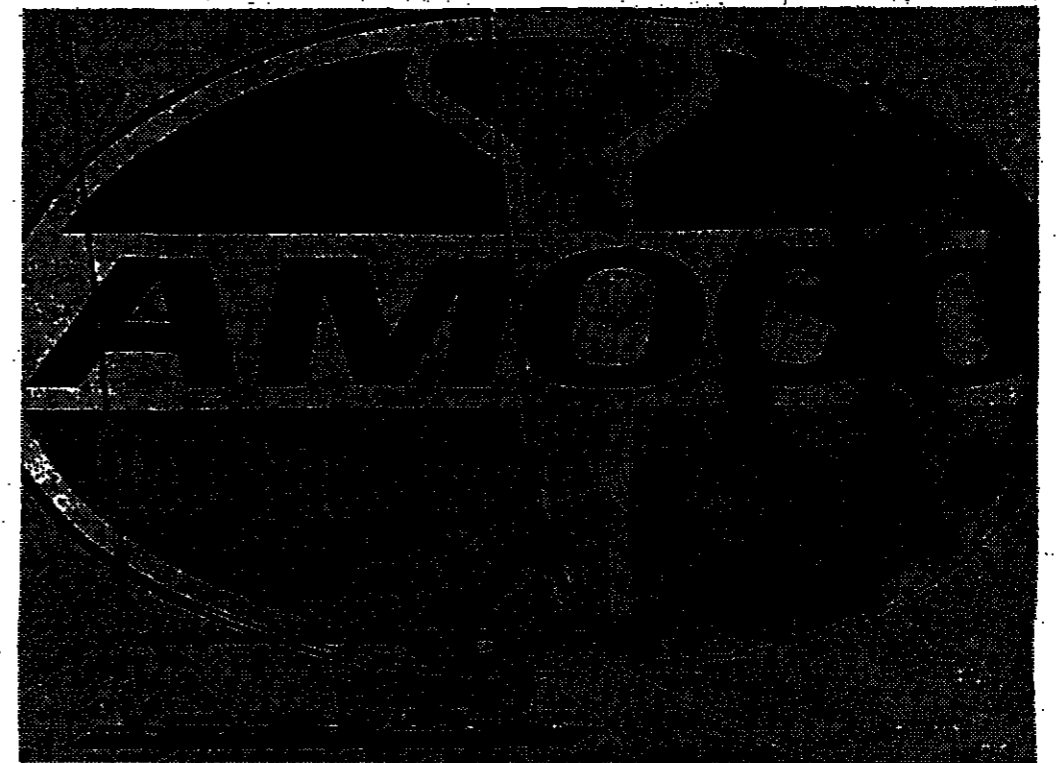
"The problems of the petroleum sector are being tackled on two fronts," explained Mr Rupert Mendis, permanent secretary in the energy ministry. "Firstly, there are incentives to increase production, and secondly, in the medium to longer term, there is an effort to increase the pace of exploration."

Trinidad and Tobago has total oil reserves of about 600m barrels - enough for another decade at current rates of production - but more than half of these are in marine fields. It was in an effort to stimulate increased exploration that the government lowered rates for incremental production.

"The government has sought to encourage production by lowering the supplementary petroleum tax for incremental production above a base level set at the end of 1987," said Mr Frank Look Kin, chief technical officer in the Energy Ministry.

He said: "At the beginning of this year the tax rates were reduced from 53 per cent to 30 per cent for marine production, and from 15 per cent to 5 per cent for onshore production."

Mr William Demas, governor of the Trinidad and Tobago central bank, said it will be "some time" before the reduced tax rates have a marked effect on production. "It could lead to



An oil storage tank is given a paint job: Amoco dominates the country's oil industry

followed the government's purchase of a 300,000 b/d refinery from Tesoro of the US.

Refining operations have been rationalised, with one company with two plants - that purchased from Tesoro and a second facility rated at 80,000 b/d. But refining throughput has fallen steadily from just over 400,000 b/d in 1970, to 80,000 b/d this year. Reduced production, with a halt in imports of crude for refining in 1983, contributed to the decline.

The limited reserves of oil have forced increased concentration on the exploitation of natural gas fields with which the country is well endowed. Proven gas reserves are 16.5 trillion cubic feet, with probable and possible reserves at 22 trillion cubic feet. Current production is just under 600m cubic feet per day.

At the same time, the government is increasing its presence in the oil industry, dominated by the US-based Amoco company which accounts for just over a half of national output. Now about 40 per cent of the production is by three state-owned companies.

Three years ago the government bought the 49 per cent stake of the Tesoro Oil Company of Texas in the Trinidad-Tesoro Oil Company, and became the sole owner. This

OIL PRODUCTION (Barrels per day)

1970	139,855
1975	215,400
1980	212,057
1981	189,835
1982	177,038
1983	159,854
1984	169,513
1985	175,022
1986	169,577
1987	158,100
1988	150,000*

*Est. Source: Trinidad and Tobago Energy Ministry.

in efforts to reduce the economy's dependence on oil, gas is being used as the basis for a growing petro-chemical sector based on the production of ammonia, methanol and urea in south Trinidad.

Production will increase as new plants are built and new fields exploited. Amoco, which produces about 80 per cent of the country's gas, is developing a major new field which could yield up to 350 million cubic feet per day.

But the most significant development is a new field on which drilling is to start by the middle of next year.

Located off the south-east coast of Trinidad, the field is being developed by a new company, Trintoman, in which the state-owned Trintoc and Trintopex will each have a 40 per cent stake, with the remainder being held by the National Gas Company also state-owned.

The field is being developed at a cost of \$150m, with production beginning at the end of 1989 with 350m cubic feet of gas per day, and 15,000 barrels of condensate per day, being produced initially.

Government officials say the Trintoman project will reduce the country's dependence on Amoco for gas, and will also avert an impending shortfall in gas supplies.

Caroline James

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Winston Dookeran, Planning Minister said the government is backing research projects to find ways to raise genetically-improved livestock locally, rather than import them, and produce animal feed from readily available by-products of the country's sugar industry.

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This dammed waterway has been built as part of a tourist project on Trinidad

TOBAGO

The Cinderella island

IT IS DIFFICULT at first sight to imagine the people on Tobago having anything more to worry about other than the state of the tide.

This fairy-tale island, the smaller sister island to Trinidad, has all the beauty and charm the other for the most part lacks. Palm-fringed white beaches, coral reefs and lush vegetation give it a natural, unspoilt beauty of which the locals are proud and glad to return to after a trip to Port of Spain. And like any hindland in relation to the metropolis, its people are friendlier and more easy-going than those on the main island.

But Tobago is also the Cinderella of the relationship. Trinidad has the oil and heavy industry, the financial sector and the seat of government — in short the jobs. Tobago has only fishing boats and coconut trees and until the oil price boom, lagged significantly behind Trinidad in provision of social services and basic infrastructure. Road-linked jobs still

Beauty, however, has not been enough to keep the island's youth. The cost of living is high and incomes are low. The lure of the big city and cosmopolitan life for the young people is the bane of rural communities the world over and affects Tobago in the same way.

Many are leaving for the larger island in search of work, but even there unemployment is presently over 20 per cent, rising with every likelihood of getting worse. Emigration of the better minds and more adventurous souls is a constant problem and one which an island of only 44,000 people cannot afford to sustain for long.

Tobago has 6 per cent of the total land area of the two islands, but only 3 per cent of the 1.3m population of the two islands combined.

One local boy who stayed behind Trinidad in provision of social services and basic infrastructure, had indeed done well

gress, a Tobago-based party and which won the two Tobago constituency seats in the 36-seat National Assembly in December 1986 elections. The fact that he was chosen as the leader of the various parties that made up the NAR coalition, was in itself a recognition that Tobago needed greater representation at national level, and was seen as a suitable means of not only calming independence-minded voices on Tobago but also of balancing the more dominant and opposing factions within the NAR, namely the ULF of Mr Basdeo Panday and the ONR of Mr Karl Hudson Phillips.

The fact that major efforts are now under way to develop Tobago's infrastructure — the port and airport are being substantially expanded, and thus its tourist potential is in no small part due to Mr Robinson. That will be sufficient to ensure him of a political future upon the island, even if he is eventually swept aside by the more powerful forces and voices in Trinidad itself. Which raises an old question of succession and independence.

The Cinderella-like relationship of the past has led to calls from Tobagans at various times for secession from Trinidad. Indeed, Mr Robinson was at one time one of those voices and which resulted in opponents launching wild accusations against him that he was receiving support from Cuba for such a move.

Trinidadian fears of a secessionist movement still linger and only last month one of the thriving gossip weekly newspapers, published in Port of Spain, accused Mr Robinson of raising the secession issue at a local constituency meeting.

Even though the report was not substantiated, the fact that the newspaper bothered to mention it at all is indicative that people on both islands remain sensitive to the possibility.

Although both islands were discovered by Christopher Columbus in 1498, they were not united politically until 1858. Spain controlled Trinidad

until 1797, when it was taken by a British fleet and subsequently incorporated into the British Empire. Tobago was not settled by Europeans until the mid-17th century and was then fought over by the French, Dutch and British, the last named finally winning out in 1802.

After slavery was abolished in 1834, sugar plantation owners in Trinidad brought in indentured labour from India and the far east from 1845 until 1917. As a result the present inhabitants of Tobago are almost entirely of African descent, whereas in Trinidad the African and Indian communities are of the same size.

These historical and cultural differences together with the geographical separation and economic dominance of Trinidad, have thus generated the sense of individuality of both islands, and possibly to proud indifference of many Trinidadians to their neighbours on the smaller island.

One 45-year-old taxi driver told me he had never visited Tobago, a mere 12 minutes away by aircraft or a five-hour boat trip. "I have everything I need here in Trinidad", he said. As a Tobagan commented: "A lot of people there say the same and it's not as though they need passports to come".

Mr Robinson's rise to the principal political post in the country may help to change those attitudes as may his efforts to develop Tobago's tourist potential.

But were he to be eventually forced from, or voted out of office, due to the pressures upon him within the Trinidad-dominated political scene, some of his opponents speculate that he might indeed think again about a secessionist option for Tobago.

His DAC party won 66 per cent of the votes in the 1986 elections in Tobago, making him a big fish on a small island so to speak, and who is now an internationally-recognised figure. It would be an option that would have to be taken seriously.

Tim Coone

Fuel is basis for new industrial sector

Switching to natural gas

TRINIDAD and Tobago's efforts to ease dependence on oil have led it to use its plentiful natural gas as the basis for a new sector. The gas is being used to build a heavy-industrial and petrochemical plants. Most of the plants are located on a 2,000-acre industrial estate in southern Trinidad, also the site of a steel mill which was conceived as the vanguard of the country's move to industrialisation.

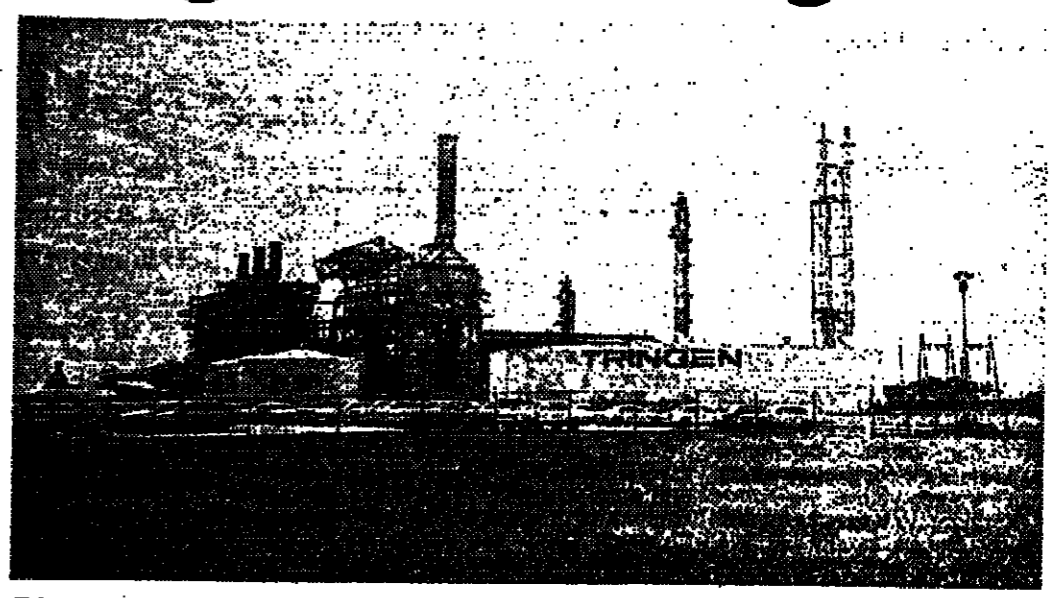
Except for Puerto Rico, Trinidad and Tobago is now the most industrialised island in the Caribbean. But the results of the effort to develop the heavy industrial sector have been mixed.

"Bitter-sweet is how I would describe it," said one government official. "We have lost quite a bit on some, and we are earning money from others." A World Bank study on Trinidad and Tobago's gas-based industries concluded: "Actual direct value added from the gas-based industries has been less than one-sixth of what was expected because of difficulties with plant start up and unexpectedly depressed international markets."

"In addition, the anticipated proliferation of linked industries such as component supplies and downstream processing was constrained by doubts concerning the viability of the gas-based industries."

The study, however, offers some hope to the sector. "Although cost overruns and teething problems were severe ... all the Trinidad and Tobago gas-based plants are technically efficient, and ... they are all potentially competitive at prices governing the rapist producer costs of an efficient new producer."

The petro-chemical sector is based on four ammonia plants, one methanol producer and a urea factory. They all appear to have done better than the steel plant, the Iron and Steel Company of Trinidad and Tobago (ISCOIT). The integrated mill, which began operations in 1981, cost US \$450m (£275m) to construct. It has two direct reduction plants with a total capacity of 800,000 tonnes per year, and rated capacity for 700,000 tonnes of billets and 600,000 tonnes of wire rods annually. However, the plant failed to lift output above 30 per cent of its rated capacity in its first five years. It lost about US \$250 million in 1984 and last year, and is prof-



Trigen has a capacity to produce 400,000 tonnes of ammonia a year

ecting net profits of about \$50m between next year and 1990. ISCOIT was also set back by the loss of a significant part of its US market for wire rods when US steel producers argued that the Trinidadian company was not a commercial producer because of its access to subsidised fuel, and was effectively dumping the product in the US.

The operations of the company improved when Hamburg Stahlwerke of West Germany and Voest Alpine of Austria began to run the plant under contract from the government two years ago. Mr Ray Robinson, the Prime Minister and Finance Minister, said the government wants to divest the mill and is speaking with prospective investors. The gas-based petrochemical sector is more promising. With its ammonia and urea plants, Trinidad and Tobago has become the world's second largest exporter of nitrogenous fertilisers after the Soviet Union, according to government officials. The fertiliser plants represent investment of US \$802m, with exports last year totalling 1.35 million tonnes, and expected to reach 1.8 million tonnes this year. Exports of urea last year were 425,700 tonnes. The fertiliser industry got its start in the 1950s when W.R. Grace of New York established an ammonia plant, Fedchem, in Trinidad, with average output of 220,000 tonnes per year. The recent increase in production began

in 1977, when the Grace company and the government joined forces to establish a new company, Trigen, with rated capacity of 400,000 tonnes of ammonia per year. The government owns 51 per cent of the venture, with W.R. Grace having the marginal minority stake. The Trinidad and Tobago government also has a 51 per cent stake in a third ammonia plant, Fertin, which began operations in 1981 as a joint venture with the Amoco Oil Company. The plant has a rated capacity of 750,000 tonnes per year. The increase in ammonia production this year will come from a new plant, Trigen 2, built by W.R. Grace, and which has a rated capacity of 500,000 tonnes per year. As with the earlier joint venture, the Trinidad and Tobago government and W.R. Grace have a 51 per cent and a 49 per cent stake, respectively. Industry spokesmen say the agreement between the partners will see Grace purchasing 40 per cent of the production of the plant on a take or pay basis, with the rest being sold on the open market either on short term contracts or spot sales. The government is expecting revenues of about US \$1bn during the 15-year operational life of the plant. The urea plant is wholly owned by the government. Built by Snamprogetti of Italy, it has a rated capacity of 600,000 tonnes per year. The major markets for Trinidad and Tobago's fertilisers are the US, Central American coun-

tries, the European Community and India. According to the Central Bank, the expansion of production of nitrogenous fertilisers is continuing. "For the first six months of 1988 production of nitrogenous fertilisers reached 1.01m tonnes, exceeding output in the corresponding period of 1987 by 16.8 per cent," the bank reported. "The quantity of fertilisers exported between January and June 1988 amounted to 899,800 tonnes, 23.6 per cent more than exports in the first six months of 1987." The bank said the increased output was the result of the start of Trigen 2.

The methanol plant is wholly owned by the government, and started production in 1984. Output last year was 405,000 tonnes, with exports at 405,000 tonnes. "The World Bank study describes the plant as being 'technically efficient,' but it says the company has a debt to equity ratio of 2:1. "The break-even price needed to service the full 1988 debt burden is US \$135 per tonne, whereas the Bank projects prices of \$110 per tonne into the mid-1990s." But the Trinidad and Tobago central bank reports brighter prospects for methanol. "Prices for contract customers in western Europe averaged US \$190 per tonne (Job Rotterdam). In June, methanol prices in Western Europe averaged \$197 per tonne, the highest level since 1983."

Canute James

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TRINIDAD AND TOBAGO 6

Revenue shortfall reduces ability to pay subsidies

Islands seek investors for state enterprises

THE REVENUE shortfall being experienced by the government has reduced its ability to continue subsidising some of the 67 state enterprises, and efforts to divest several of these are being made with some urgency.

Government officials have put in some doubt the government's ability to honour an earlier undertaking to continue providing financial assistance to these state companies which can be made viable.

Running up losses, to be met by the budget, is only half the problem of the state enterprises, which include the country's sugar mill and refinery, oil and gas companies, petrochemical plants, a steel mill, power, telephone and telecommunications companies, and an international airline.

Just under a half of the \$745m (€294m) which the country will pay in servicing its foreign debt next year will represent repayments of loans to the state enterprises.

Between this year and 1991, principal and interest payments on the foreign debt of the state enterprises will total \$768m, unless the government obtains the refinancing agreements it says it is seeking.

"One utility company alone, in the space of two years, incurred foreign liabilities to the extent of \$338m," reported Mr Ray Robinson, the Prime Minister and Finance Minister.

"The government is faced with the alternatives of either restructuring some of these companies or shutting them down altogether." He has described the state sector as

being an "unholy mess" with almost all of the companies "in some kind of trouble or another." He said discussions are being held with prospective investors in several state companies.

"One of these is the telephone company which has incurred a high proportion of the state enterprises' debts," Mr Robinson reported. "We are also discussing the divestment of ISCOIT, the iron and steel company." Several companies, including British Telecom, Cable and Wireless and Northern Telecom of Canada, have been discussing the purchase of the 49 per cent share of the telephone company which the government wants to divest.

Government officials say the administration is particularly keen on finding a foreign partner which will take over or lease the steel company. The plant, which started operations in 1981, cost \$460m to build, and Mr Robinson said recently that it will require support from the treasury of \$50m per year until 1992 and \$27m per year afterwards.

Another company likely to be among the first offerings for divestment this year is the Trinidad Cement Company which was bought by the government in 1976 and kept alive by subsidies until 1984. The company has 1,200 acres of quarrying operations and a plant on 100 acres. Its assets are valued at \$89.5m but it recorded a \$5.25m loss last year.

Mr Patrick Manning, the opposition leader, said he was

not happy with the manner in which the government was implementing its divestment programme.

"While we are in support of divestment, we are not in support of privatisation," he explained. "The most pragmatic course is a mix of private and public ownership. The government is simply looking for injections of cash, such as the situation with BWIA."

BWIA, the state-owned airline, is not up for divestment, say government officials. Mr Manning's reference is to a sale and lease-back agreement concluded with GATX Leasing of New York, involving three of the company's aircraft, and which is earning the country \$87m.

But the prime minister has denied that the government is indulging in outright privatisation. "In some cases, where necessary, we will expand the state sector," he explained. "On the drawing board are new joint ventures in some cases with local capital and widespread participation. In some cases foreign capital will be utilised."

If we get out of one enterprise, it does not mean that we are getting out of all enterprises. What we are doing is making ourselves more capable of entering into new enterprises and managing those we retain in an efficient manner."

It appears, however, that with the rapid deterioration on the country's foreign reserves, and the revenue shortfall which has caused a cutback in subsidies to the state sector, the government may be forced

more quickly into the direction of privatisation.

It is now clear that the treasury cannot even contemplate last year's demand from the state companies for financial support totalling US \$750m "about one half the current expenditure for the year," Mr Robinson said.

Bankers report also that more urgency in divestment of state enterprises is likely following conclusion of a stand-by agreement which the government wants to negotiate with the International Monetary Fund.

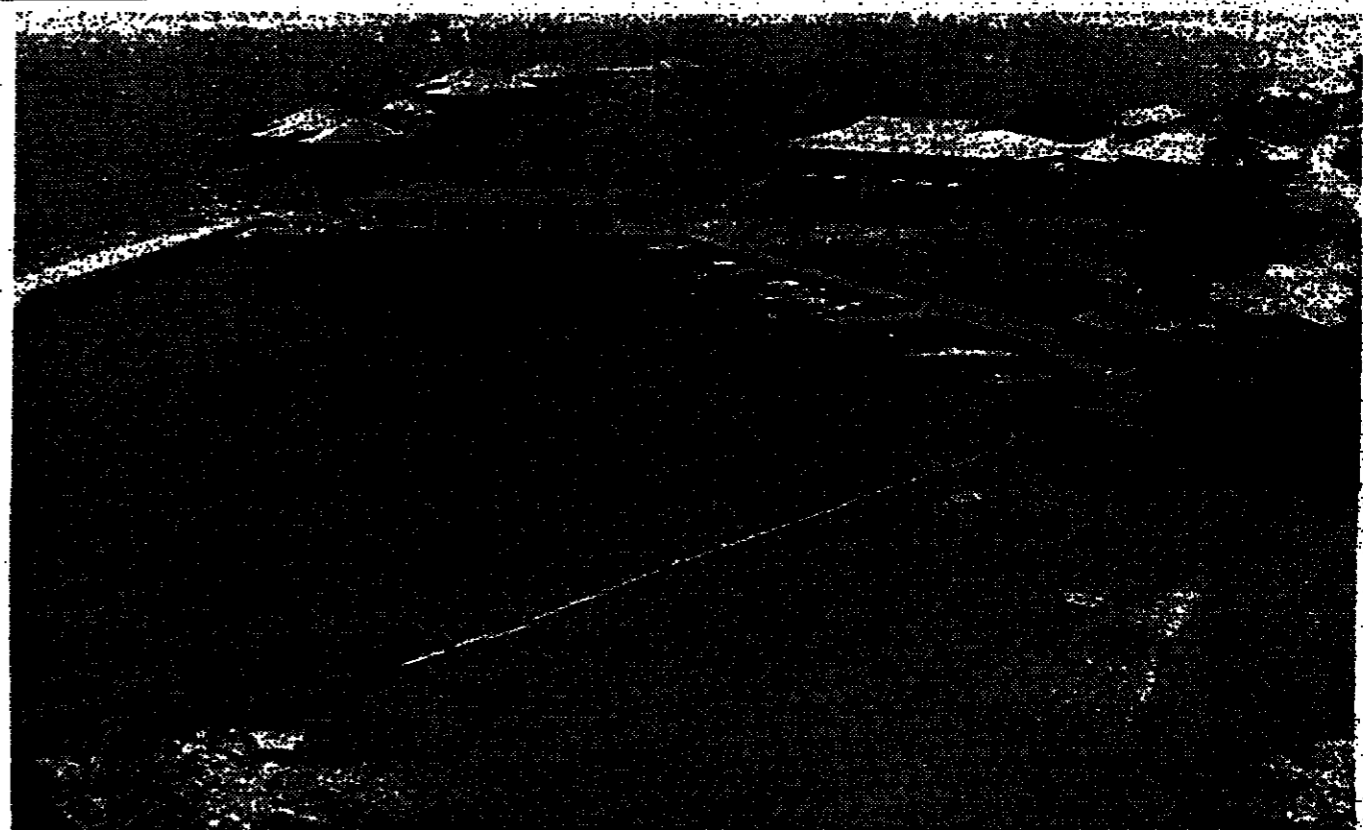
One banker said: "One of the conditions on which the IMF will insist, without a doubt, is a reduction of the fiscal deficit and measures to increase foreign reserves. On both counts the state enterprises are a liability."

It appears unlikely, however, that the state companies which have not been making money can be quickly turned around to make them viable proposals for investors.

"While the local private sector has made certain significant investments, it has not demonstrated a willingness to extend the frontiers of production," reported a government-appointed committee.

The committee concluded that there could be few takers for most government companies as "in very many cases, these enterprises at best, make an inadequate return on their investment and indeed make very large losses which have to be covered through taxation."

Canute James



Wish you were here: One of the popular beach resorts on the islands

It is not only beaches and palm trees that attract visitors

Cultural diversity is key to tourism development

CALYPSO and the steel band are as much ingrained into the culture and life of the people of Trinidad and Tobago as its beaches, its rum, its oil refineries, and the tar lake - asphalt from which is reputed to have surfaced roads throughout the world.

Indeed, the sugar and oil industries indirectly gave rise to the music and the instruments - the music for its black African roots, while the steel pan instruments with their characteristic sound were, and still are, fashioned out of 45-gallon oil drums.

The living conditions and politics that surrounded these industries in turn became the subject of numerous calypso songs, adding biting social commentaries in an easily digestible form to complement political agitation.

But while the oil industry has become the dynamo of the economy, the culture that it gave rise to has been allowed to languish, largely ignored by both business and government, allowing hands from other Caribbean countries and even Britain to pick the music style up, adapt it and then claim it as their own.

The decline in the oil industry in recent years has caused planners to reflect upon this heritage. For together with the islands' unspoilt beaches, year-round sun and growing unemployment problem, they have realised that they have all the basic pre-requisites to develop a strong tourist industry.

The Government's recently-published seven-year planning framework document notes

that tourism "is a potentially important source of employment as well as net foreign exchange earner."

It adds that Tobago's tourist potential must focus on its beaches, coral reefs and water sports possibilities, while development of Trinidad must emphasise its cultural diversity, folk art forms and "festivals, famed steel bands and calypso."

Maybe it was this that prompted one cynic to poke fun at the Government's economic difficulties by pointing out that the steel band (which can have as many as 90 members and uses little electronic support) is one of the most labour-intensive industries on the islands.

Mr Ken Gordon, Minister for Industry and Tourism, insists though that the sector is capable of rapid growth.

Present government efforts are directed at extending the runway at Tobago Airport to enable it to handle large jets, and to enlarge the island's port to cope with cruise ships and the additional cargo that will pass through there as the tourist trade expands. Work should be completed on these projects next year.

A total of 250 new hotel rooms are now under construction on Tobago, while the aim is to increase the total number of rooms available on the two islands from 2,100 to 3,600 over a five-year period, with most of the new construction taking place on Tobago.

This will still leave Trinidad and Tobago substantially behind Barbados and Jamaica, for example, which have 6,500

and 11,800 rooms respectively, but it will none the less signal substantial growth in the sector.

Mr Gordon says the sector has been hindered by deficiencies in the supporting infrastructure and poor marketing strategies, according to the planning document.

The private sector has so far responded well to the plan, urged on by investment incentives including 10-year tax breaks, accelerated depreciation, and the waiving of import duties on construction materials and equipment. Mr Gordon says the target of 1,500 extra rooms by 1992 is likely to be reached ahead of schedule.

It is the ancillary services and related infrastructure that remain deficient, however, and this will require attention if a balanced development of the sector is to be achieved.

For example, as the visitor approaches the famous pitch lake in the south, the condition of local roads, ironically, becomes progressively worse.

Finally, on arriving, the on-site is immediately handicapped by a group of shouting, half-drunk tour guides all demanding to be their official guide - to the point that one is tempted to get away as fast as possible.

The public transport system on both islands is somewhat obscure to the visitor, functioning around "taxi-taxis" which operate along fixed routes, but which only local people seem to know since there is no published map of the routes. Individual taxis are expensive, while only local companies are permitted to set up car hire firms, making the service not the best or most competitive on offer.

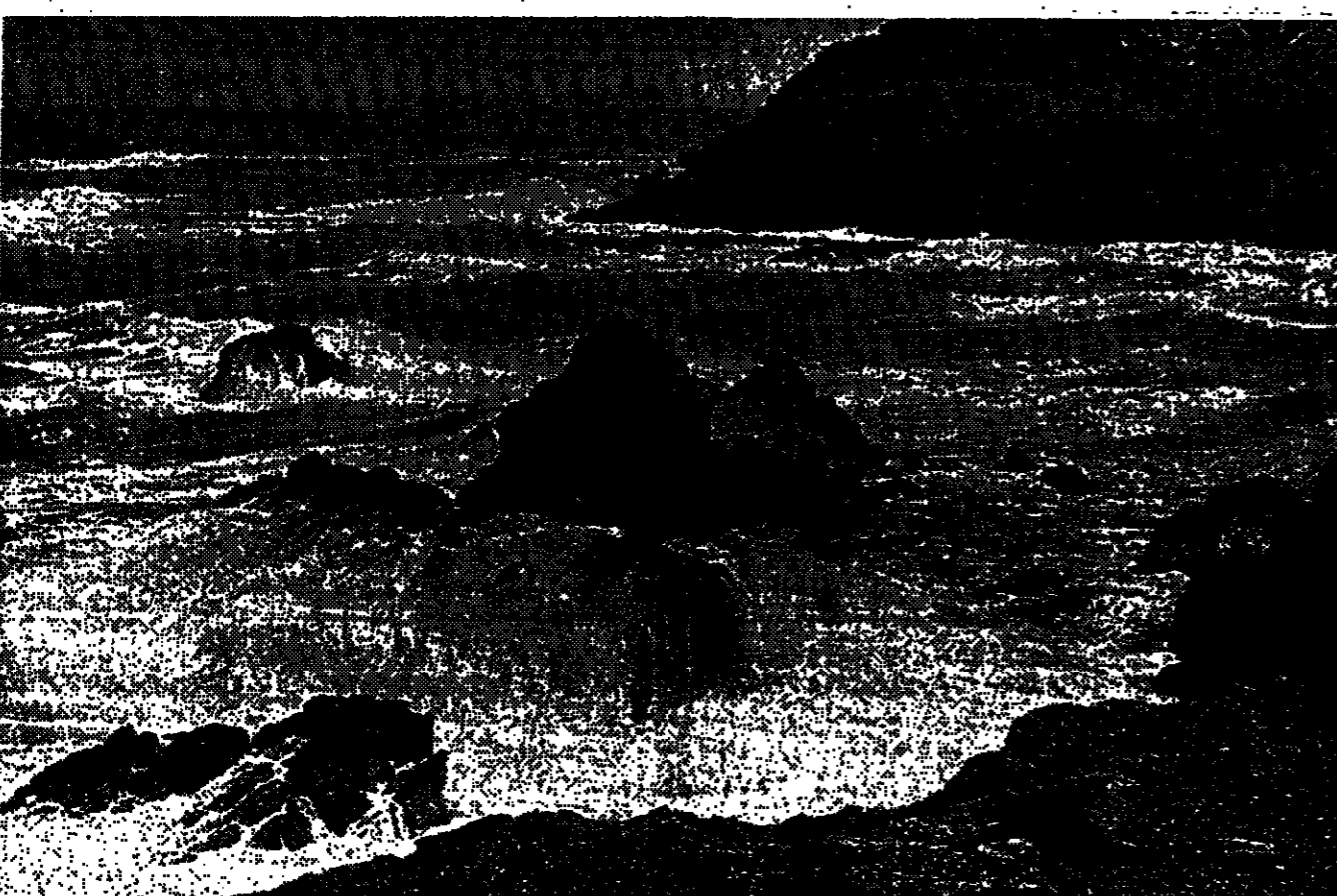
These and other basic problems will have to be dealt with if the Government hopes to compete with other, more developed centres in the Caribbean and to make the most of its new investments - and especially if it intends to aim at the upper end of the market, as stated in the planning proposal.

These limitations have their repercussions for local traders. A woman who runs a small business on one of Tobago's best beaches, at Pigeon Point, says: "We hope the business grows but right now I make more out of local trade, and if I expand at the moment I will probably do so only on the basis of local trade."

One concern of Tobagonian people is that tourist development will be limited to a few capital-intensive projects with few spin-offs for the rest of the population. At the other extreme there is also a fear that an over-rapid expansion will ruin the island and the image of peace and tranquillity it projects.

An encouraging sign is that the Government appears sensitive to these feelings and is organising a series of public forums for all concerned with, and affected by, the tourist trade. People will be able to air their views, which is a step in the right direction.

Tim Coome



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Motor and all other classes of General Insurance. Very important to the investor, is the fact that our re-insurance is placed with the most prestigious blue-chip re-insurers, world-wide.

And there are still other reasons for you to consider investing in Trinidad and Tobago. Drop me a line. Fax me your business card, or telephone me. That, itself, will be a good investment.

Gerald S. Hindeel
Managing Director
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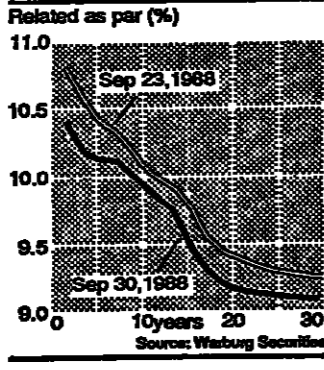
INTERNATIONAL CAPITAL MARKETS

UK GILTS

Gains attributed to buying-in by Bank

PRICES IN the gilt-edged securities ended higher last week, extending the gains made over the previous week. There was a parallel move in prices along the yield curve for the second week in succession.

UK gilts yields



To the dismay of analysts, yields for short-dated gilts appear to be discounting a cut in official interest rates, while the market for longer-dated stocks appears to have undergone a Damascene conversion in respect of the inflation outlook.

Such inflows as the UK is attracting are, he says, "hot" speculative flows which can move in the other direction quickly when sentiment to sterling changes.

This is regarded as strange indeed, given that there has been nothing in the way of official data to indicate that the pace of expansion of domestic demand has shown any signs of moderating.

The best news was the comment from Dr Subroto, secretary general of the Organisation of Petroleum Exporting Countries, that oil prices could fall to \$5 a barrel if Saudi Arabia carried out its threat to flood the world with excessive production.

As the analysis scratch their heads it is therefore not surprising that some have turned their attention to the operations of the Bank of England in the market.

US oil prices tumbled, losing 55 cents a barrel on Friday alone. West Texas intermediate crude for delivery next month closed the week at \$13.57 a barrel, its lowest level since August, 1986.

US MONEY AND CREDIT

Plunging oil prices boost sentiment

CONSIDERING that Wall Street bond markets could receive some fundamentally bad economic news this coming Friday, they put on a surprisingly spirited performance last week.

rel, its lowest level since August, 1986. The prospect of lower oil import bills, particularly in West Germany and Japan, weakened the dollar. It was also undermined by Ms Manita Sager, governor of the Fed, who said US trade performance would be hurt if the dollar continued to strengthen.

The yield on the Treasury's benchmark 30-year bond dipped below 9 per cent for the first time in two weeks as positive factors, particularly plunging oil prices, kept investors and traders relatively optimistic ahead of the economic data.

Bond markets broke their usual pattern of following the dollar lower - they saw lower oil prices and weaker export demand helping to reduce US inflationary pressure.

The biggest concern is Friday's job figures for September, which are certain to show that the rate of job creation returned to the brisk trend evident this year, from August's temporary slowdown.

But several other data substantiate the job figures' evidence of a re-acceleration in the rate of economic growth. The latest unemployment claims were moderate and the index of leading economic indicators rose 0.6 per cent in August while the deficit in

the previous two months were accompanied by revisions. Against this background, the bond markets' will be running the very substantial risk of reversing their rally of the beginning of September.

The likely pick-up in activity would push up fourth-quarter growth to 3 or 3 1/2 per cent at an annual rate, about a point faster than the Federal Reserve considers the maximum for non-inflationary growth.

Most people on Wall Street think it unlikely, though, that the Fed will rush to tighten monetary policy to try to cool

down the economy so close to the election. Firming action is probable once the voting is over, if the economy holds its course into the last six weeks of the year.

Mr Lewis arrives at this by assuming that conventional long yields are the sum of real interest rates (as defined by index-linked securities, currently around 4 per cent), inflation expectations (which he estimates at 5.5 per cent) and a 1 percentage point risk premium for holding conventional gilts.

With many investors reluctant to buy bonds because of the prospect of higher rates soon, the Treasury had rather a sticky auction last week. Uncertainties still hang over whether the Treasury will be able to offer 30-year bonds at its next quarterly refinancing in November.

Mr Lewis stands in the market as a buyer of last resort, and has taken to buying stock, at or very close to, market prices. As such it is removing risk (and reward) from trading.

After 12 years of international trading and arbitrage at Strauss Turnbull, Mr Ross first became involved with the fledgling Eurobond market with its very first issue, the Autostore deal led by Warburg, in 1968, while with Kidder Peabody, he led the move

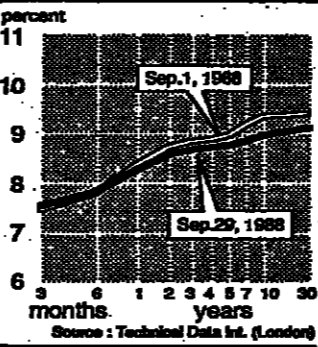
to use the central clearing system, Euroclear.

In 1971, he started the first market publication, the controversial Week in Eurobonds. With his own firm, Ross & Partners, he set every market trading, which transformed the character of the primary market.

Mr Ross's latest vision is of a Eurobond market where trades are executed via satellite. He intends to carry on with city consultancy work to pursue his hobby of writing a book about the history of the market.

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US Treasury yields



Source: Technical Data Int. (London)

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End of era as Ross quits Deutsche Bank

"THE END of an era" was the universal reaction to the news that Mr Stanley Ross, one of the founding fathers of the Eurobond market, was finally resigning as a managing director of Deutsche Bank Capital Markets to pursue other interests.

DBCM said Mr Ross requested early release from his second contract with the house, which he joined in 1965, but will be retaining a seat on the board as a non-executive director.

"Flamboyant", "idiosyncratic" and "ebullient" are only three of the adjectives used to describe Mr Ross, who has been a committed spokesman for the Eurobond since its inception.

It is said that Stanley was always at the forefront of market developments. He may not have the love of everybody in the market but he most certainly has their respect.

After 12 years of international trading and arbitrage at Strauss Turnbull, Mr Ross first became involved with the fledgling Eurobond market with its very first issue, the Autostore deal led by Warburg, in 1968, while with Kidder Peabody, he led the move

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FT/AIBD INTERNATIONAL BOND SERVICE

Table listing various international bonds with columns for country, denomination, yield, and price. Includes entries for Australia, Canada, France, Germany, Italy, Japan, etc.



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Vertical text on the right edge of the page, including 'Well of figures', 'Day, Wim', and 'Today's Green's total. W'.

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

Maxwell acquires 5% of Bouygues

By Our Paris Staff
MR ROBERT Maxwell, the British media baron, has acquired a stake of just under 5 per cent in Bouygues, the leading French construction and media group whose shares have been at the centre of hectic trading on the Paris bourse.

FRENCH CAR COMPONENTS SECTOR

De Benedetti returns to bid arena

By Paul Belts in Paris
MR CARLO DE BENEDETTI, the Italian financier, is returning to the forefront of France's increasingly active takeover scene by launching a bid this week for Epeida-Bartrand Faure, France's second largest car components group.

Noel Goutard, the former Thomson managing director recruited by the Italian financier to head Valeo, are widely expected to be in a strong position to clinch their unsolicited bid for Epeida.

One of the most interesting aspects of the Valeo bid is the role the French state insurance group, UAP, is likely to play.

Six further Texas thrifts rescued

By Roderick Oram in New York
PURCHASERS with no experience in the savings and loan industry have taken on six insolvent Texas thrifts with total assets of \$4.4bn.

Pioneer Concrete advances by 19% on higher revenues

By Chris Sherwell in Sydney
PIONEER CONCRETE Services, the Australian-based building products and resources group, yesterday reported a 19.3 per cent increase in equity-accounted earnings to A\$182.3m (US\$143.5m) for the year to June, on a 10.3 per cent rise in revenues to A\$1.6bn.

London listing for Mitsubishi Bank

By David Lascelles
THE SHARES of Mitsubishi Bank, Japan's fourth largest, are to be listed on the London Stock Exchange from today.

Like all major Japanese banks, Mitsubishi has considerable capital needs as it prepares to meet the new capital requirements set by the recent Basle Agreement.

Warburg Securities, acting as brokers to the listing, calculated that Mitsubishi will need Y677.2bn in equity from the market.

at this stage that Mitsubishi would enter the retail market outside Japan or make an acquisition in Europe.

Rauma to raise FM180m for Jamesbury takeover

By Olli Virtanen in Helsinki
RAUMA-REPOLA, the Finnish metal and forest industry group, will raise FM179.5m (\$40m) through a share issue to finance its acquisition of Jamesbury, the valve making subsidiary of Combustion Engineering of the US.

Alitalia hit by labour disputes

By Our Financial Staff
ALITALIA, Italy's state airline, suffered a drop in net profit in the first half as a result of industrial disputes and airport congestion.

Vizcaya plans foreign offerings

By Tom Burns in Madrid
MERGED super bank, the Banco de Bilbao Vizcaya, (BBV), is to make its international debut with a public share offering in New York and in the European markets valued at around \$55m lead by Goldman Sachs in the US and by Salomon Brothers in Europe.

Banco de Bilbao and Banco de Vizcaya, as the two banks were known before the merger, are the trailblazers behind the creation of major financial institutions in Spain.

The international share offering by Bilbao and Vizcaya has no precedents in Spain but it is an example that market analysts say is likely to be followed by the future Banco Espanol de Credito Central, the result of the Central-Banesto merger.

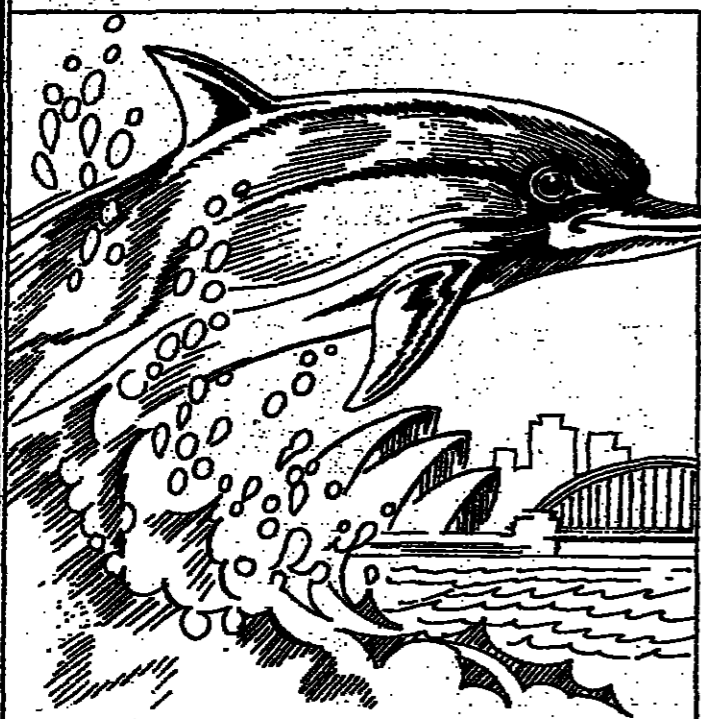
Eastern Air win on sackings

By Our New York Staff
EASTERN AIRLINES has won a further legal victory in its fight to stave off financial collapse with a federal appeals court ruling that it had the right to sack 4,000 employees.

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INTERNATIONAL CAPITAL MARKETS

EUROEDITS

Domestic lending limitations bring back Italian banks

ITALIAN BANKS, painfully aware of the limitations of the domestic lending market, are returning to the Euroloan market after an absence of almost 18 months...

The latest name to join the Euroloan list is Esibanca, a medium-term lender, which is raising a \$100m six-year loan. The deal, arranged by Chase Manhattan, is structured similarly to a £500m seven-year loan...

The deal is drawn in five separate equal amounts and carries a margin of 4 points over London interbank offered rates (Libor) for the first three years. The margin rises to 25 basis points for the remaining three years.

But the differential also reflects the effects of the new Bank for International Settlements rules on bank capital adequacy. Because mediocre...

INTERNATIONAL BONDS

On course to top last year's new issue volume

THE EUROBOND market still harbours plenty of cynics who were first to suggest that last week's flurry of new issue activity had more than a little to do with the fact that the publication of the third quarter league tables was imminent.

While the top 10 lead management positions yielded no surprises, the last quarter has seen a few notable developments. Most significant has been the surprising return to favour of the US dollar.

So, has the growing awareness that new deals must be launched with one eye on the profit and loss line dispensed with the need for this kind of league table?

While historically narrow spreads between Eurodollar and Treasury yields and attractive swap opportunities have revitalised the dollar straight sector, the real beneficiary of the US dollar's resurgence has been its Canadian counterpart.

this year, the US dollar made good ground during the last quarter. Last week's \$1.8bn of new seven-year dollar straight paper would have had dire implications for the rest of the market only a few months ago.

The dollar-denominated equity-linked sector has had its customary share of ups and downs over the last quarter. One syndicate source at a US house suggested that the recent slowdown in issuance after a period of chronic indigestion in the early summer could influence league table positions in the next set of data.

At the end of Friday, JP Morgan brought out the largest sterling-denominated, mortgage-backed floating rate note issued to date. A total \$220m issue for Mortgage Securities (No 1). The issue comprises a

senior tranche of £200m class A notes which will be rated triple-A and a £20m issue of class B notes which will carry a double-A rating. Final maturity is 2023 but the average expected life will be 7 1/2 years. Issue price is par and the coupon on the class A notes will be 30 basis points over the three month London interbank offered rates, rising to 50 basis points after 10 years. The competitively priced

TOP EUROBOND LEAD MANAGERS

Table with columns: Manager, First nine months 1988 (\$m, Rank, %), First nine months 1987 (\$m, Rank, %), Issues. Lists managers like Nomura, CSFB, Deutsche Bank, etc.

*Provisional figures - full credit to book runner.

NEW INTERNATIONAL BOND ISSUES

Large table listing bond issues with columns: Borrowers, Amount m., Maturity, Av. life years, Coupon %, Price, Book runner, Offer yield %. Includes sections for US DOLLARS, CANADIAN DOLLARS, AUSTRALIAN DOLLARS, NEW ZEALAND DOLLARS, D-MARKS, SWISS FRANCS, ECUs, GUILDERS, YEN, and LIRE.

EUROMARKET TURNOVER (\$m)

Table showing primary and secondary market turnover for various currencies (USD, DEM, GBP, etc.) with columns for currency, amount, and percentage change.

Source: ABIS

Euromarkets Staff

Large advertisement for Sumitomo Trust & Banking Co., Ltd. featuring five separate boxes for different financial products: The British Land Company PLC, Bredero Properties Plc, Control Securities plc, Dares Estates Plc, and Ossory Estates plc. Each box details the amount, facility type, and agent.

Advertisement for Sumitomo Trust & Banking Co., Ltd. titled 'Corporate finance from one of Japan's leading banks in the U.K.' It describes the bank's services and provides contact information for various offices.

UK COMPANY NEWS

Mecca criticises Pleasurama figures

By Andrew Hill

MECCA Leisure, which is bidding for Pleasurama, again criticised the quality of the leisure group's earnings yesterday, responding to Pleasurama's forecast that it would make not less than £82m before tax in 1988.

Mr Jeremy Long, finance director of Mecca, said yesterday: "There are quite a few things in the numbers they have brought out which are questionable."

Local waits for Brent

By Paul Cheswright, Property Correspondent

LOCAL London Group, the property company which has emerged as the sector's latest apparent takeover target, said that it was waiting to receive firm proposals from Brent Walker, the leisure and property group.

Brent Walker had made its intentions clear, came after Brent Walker, in the second of two raids on the company's shares, had built up its holding to 24.9 per cent.

TRIG defence under fire

By Clay Harris

BRITISH Coal Pension Funds, bidding £560m for TR Industrial and General Trust, said that the Touche Remnant-managed investment trust's defence document had failed to address the central issues involved in the offer.

holders, BCPF underlined the attraction of a fixed-price cash bid in times of volatile markets. It noted that the discount to net asset value of TRIG ordinary shares had narrowed to under 4 per cent at some times during the offer, compared with more than 18 per cent before it was launched.

Gold Fields starts share buy probe

By Kenneth Gooding, Mining Correspondent

CONSOLIDATED Gold Fields said yesterday it was convinced that the buyer of a major block of its shares, acquired during the hectic trading immediately before the bid from Minoro, had made great efforts deliberately to hide his identity.

Both the London and Johannesburg stock exchanges have launched investigations into a possible massive leak of inside information ahead of the £2.9bn bid.

Gold Fields has traced a block of more than 2m shares, representing about 1 per cent of its issued capital, first to Savory Millin, the London stockbroker and then to Savory's parent, the Swiss Bank Corporation.

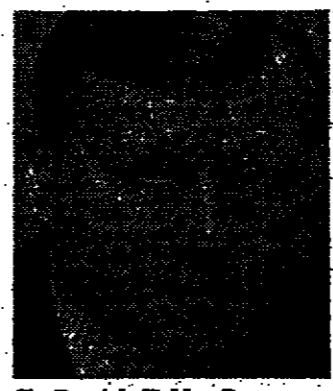
The UK group has been trying to establish ownership of its shares and options because it is concerned that so much equity is in the hands of arbitrageurs ready to take a quick profit that Minoro, already holding nearly 30 per cent, might have little difficulty gaining control.

Allied puts up the barricades again

Lisa Wood looks at Bond Corporation's stake in the food and drinks group

FOR THE second time in just two years, they have begun manning the takeover barricades at Allied-Lyons, the British food and drinks group which escaped a takeover bid from Elders Ltd, the Australian brewing and trading company, in 1986.

Undervalued assets and shelves of brands, such as Skol Lager, Ballantine's whisky and Baskin-Robbins ice creams certainly make Allied an attractive target for any potential predator. And at the time of the Elders bid it had a distinctly lacklustre City image.



Sir Derrick Holden-Brown

Allied that the deal is described as relatively inexpensive and "lucky". Whether the acquisition was fortuitous or not, Allied has motivated the staff, dismantling Elders' antiquated management structure and there has been some real profit growth. Analysts are looking for about six per cent next year.

In the food division, low-cost production, development of added value products and a large assortment of brands have fuelled a respectable trading profit growth.

So, at first glance Allied's performance over the past five years would provide some impressive bar charts. In a defence document? For example, since 1982-1983 pre-tax profits have grown at a compound rate of more than 20 per cent a year and earnings per share at just under 20 per cent.

However, in the three years since the initial Elders approach, the group has undergone some dramatic changes which have done much to improve its City image and thus its defences against any fresh bid. Says Mr Tim Clarke, of Panmure Gordon, the stockbroker: "The City is still sceptical about Allied but there is not the hostility towards it that there was at the time of the Elders bid."

Allied's large brewing division, with its skimpy lager portfolio, dropped on Allied's profits growth in the late 1970s and early 1980s. Its share of the UK beer market fell by three per cent to 14 per cent between 1976 and 1983.

Rationalisation, including 800 redundancies in brewing plants, began before the Elders bid and has transformed the returns from this sector of the business, with production costs believed to be close to industry-best practice.

BOARD MEETINGS

Table listing board meetings for various companies including BHP, British Airways, and others, with dates and locations.

FT Share Service

The following securities were added to the Share Information Service in Saturday's edition: Arbyone NL (Section: Mines-Australia), California Energy (American), National Telecommunications (Electrical).

Eagle Trust profits surge to over £6m

By Vanessa Houlder

EAGLE TRUST, the rapidly-changing mini-conglomerate, announced a near four-fold increase in its pre-tax profits for the first half of 1988 to £6.4m (£1.3m).

One of its three investments in public companies is a 35 per cent stake in Owners Abroad, a tour operator. The directors are proposing an interim dividend of 0.16p (0.10p) per share.

Courtney Pope little changed

By Vanessa Houlder

Courtney Pope (Holdings), a shopping, engineering and electrical group, reported pre-tax profits marginally ahead at £3.04m for the year to May 31. The previous figure was £2.98m.

Manchester directors attack minority leaders

By Ian Hamilton Fozzy

THE DIRECTORS of Manchester Ship Canal have attacked the leaders of the company's minority shareholders for untruthfulness and "groundless and mischievous speculation" in a letter to all shareholders which must be received today.

rights, as minority opponents have claimed. The letter is significant because it is the first time that the board has replied officially and in writing to its opponents since control of the business was won by last year by Mr John Whitaker, the Lancashire property developer, after a long, bitter takeover battle.

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AB ELECTRONIC PRODUCTS GROUP PLC Another Record Year Preliminary Results. 1986/7 1987/8 Change. Turnover 171,637 198,744 +16%. Profit before tax 8,031 16,400 +104%. Earnings per share (basic) 24.1p 43.2p +79%. Dividends 12.5p 15.0p +20%.

Hobsons Publishing

Hobsons Publishing announced pre-tax profits of £130,000 for the six months ended June 30, against £128,000. Tax took £45,000 (£44,000) after which earnings improved to 3.4p (3.3p). The interim dividend is lifted to 2.3p (2p).

MORRISON'S Wm MORRISON SUPERMARKETS PLC £100,000,000 Sterling Commercial Paper Programme. Dealers: Hill Samuel & Co. Limited, Midland Montagu Commercial Paper, Morgan Grenfell & Co. Limited. Issuing & Paying Agent: Midland Bank plc. Arranged by: Midland Montagu.

Midland International Financial Services B.V. DM 300,000,000 Floating Rate Notes Due 1996. Interest Rate: 5 1/8% per annum. Interest Period: 30th Sept, 1988 to 30th Dec, 1988. Interest Amount per DM 10,000 due 30th Dec, 1988: DM 129.55. Interest Amount per DM 250,000 due 30th Dec, 1988: DM 3,238.72. Titheburn & Durbardt EG&A Agent Bank.

The Mitsubishi Bank, Limited (Incorporated with limited liability in Japan under the Commercial Code of Japan) Introduction to The Stock Exchange in London arranged by S. G. Warburg & Co. Ltd. Mitsubishi Finance International Limited and The Nikko Securities Co., (Europe) Ltd. Brokers to the Introduction S. G. Warburg Securities.

FINANCIAL TIMES STOCK INDICES. Table with columns for Government Secs, Final Interest, Ordinary, Gold Mines, FT-Act All Share, FT-SE 100 and rows for various dates from Sep 21 to Sep 28, 1988, plus High/Low and 1988/87 changes.

FINANCIAL TIMES SURVEY

The task of renewing Britain's derelict land is a daunting one, emphasised by the growing prosperity of

other parts of the country, writes Hazel Duffy. Concentrating mainly on inner cities, the Government is encouraging greater responsibility in the corporate sector.

New life for dead acres

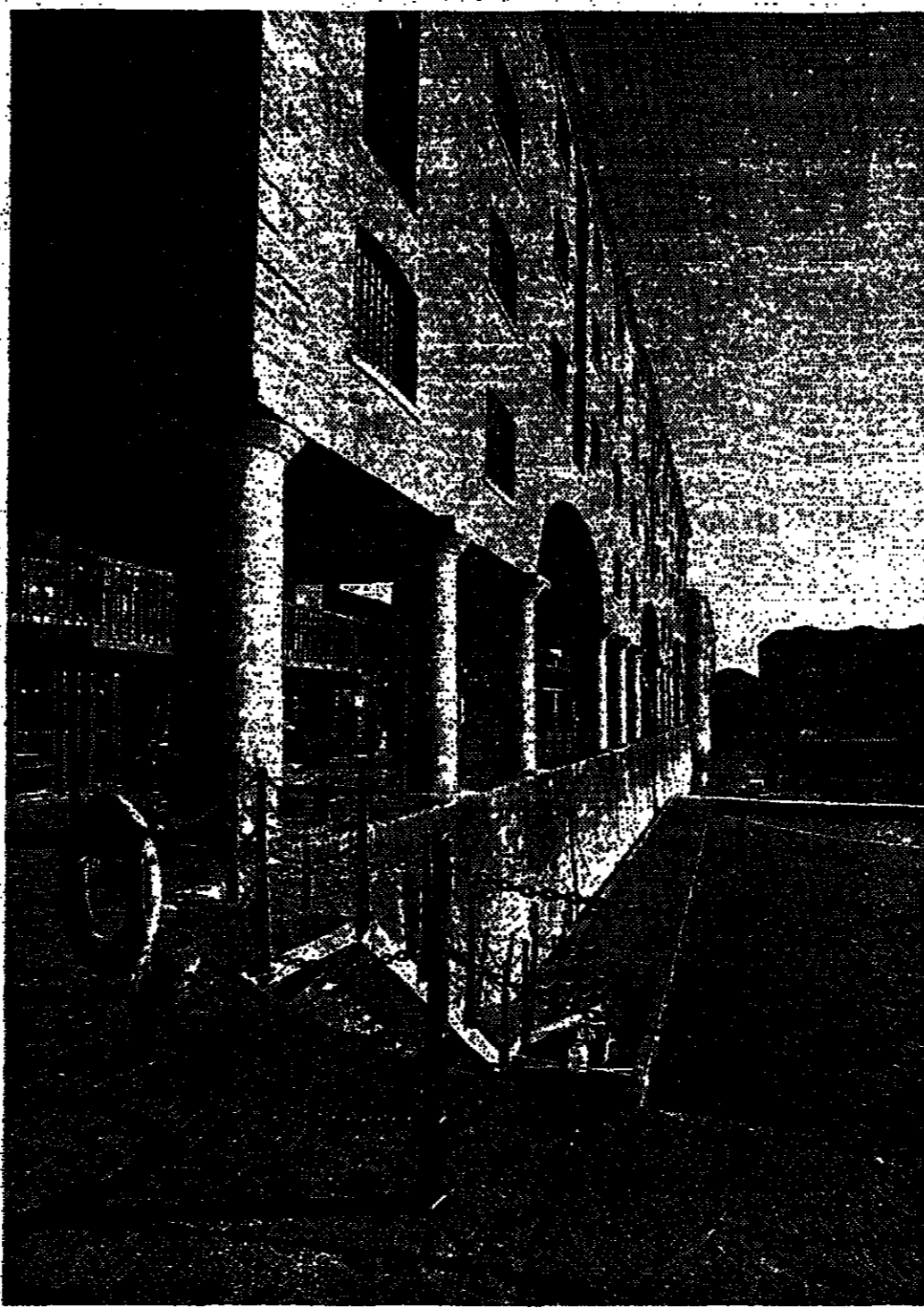
FIFTY BILLION pounds needs to be spent renewing Britain's 100,000 acres of derelict land in inner cities. That is the rough estimate made by the Confederation of British Industry in its recently published report *Initiatives Beyond Charity*. The sum is based on the estimated £100 million it will cost to regenerate nearly 2,000 acres of derelict and under-utilised land in East Birmingham, according to studies produced for the Birmingham Heartlands consortium.

The consortium, made up of five private contractors, Birmingham City Council and the chamber of commerce, is a good example of the public-private sector partnership that the Government has made the cornerstone of its inner cities policy. It is also the only example of a city council, by setting up a consortium, managing to persuade ministers that it does not need an urban development corporation.

A strategy has been drawn up which outlines the opportunities for mixed development, including new facilities for industry, business, housing, leisure and the improvement of existing houses and industrial sites. Substantial investment in new and improved roads and the canal will be required if the proposals are to attract

developers and investors. The daunting scale of the urban renewal task starts to become apparent when one substitutes for East Birmingham some of the other locations around the UK in need of urgent attention. Like Trafford Park near Manchester, Teesside, the acres alongside the rivers Tyne and Wear; parts of central Manchester, the old docks areas on the River Mersey, the Black Country, the Lower Don Valley in Sheffield, the housing estates around Glasgow, the Welsh mining valleys, East Belfast, numerous towns scattered across the north of England, and the problem is not new. Upper-need factories and shipyards, poor housing, inadequate infrastructure were all features of industrial Britain 50 years ago. What is perhaps new is the realisation in various quarters of the social and economic cost of such dereliction, which has been emphasised by the growing prosperity in other parts of the country.

Cities like Detroit, in the US, provide frightening examples of the social effects of this spiral of decline. Others, which have succeeded in reinvigorating it through the combined efforts of the public and private sectors, give more encouragement to those who believe it is not



Albert Dock, Liverpool: rehabilitated as one of Britain's biggest leisure areas

Urban Renewal

too late to do something in Britain. The Government has produced numerous programmes aimed at redressing the problem. They include ideas to improve the lot of people living in the inner cities, notably the task-forces that operate at a neighbourhood level. These are complemented by initiatives emanating from local author-

ities, teams set up by Business in the Community (which derives its support mostly from big companies and state-owned industries) and a wide variety of voluntary groups. The main thrust of government policy, however, has been drawn up to encourage property development in the inner cities and areas of industrial dereliction. The programmes

mainly involve some form of pump-priming in the form of grants, initially channelled through local councils, now paid direct to developers. The enterprise-zone experiment, which encouraged investment in certain run-down areas by offering tax incentives and rates holidays, has been shelved (the exception is a new enterprise zone

created on Clydeside). The Government announced the decision late last year, despite evidence that the incentives had succeeded to a large extent in their objective of bringing developments to areas which the private sector had not been willing to consider. Retail developments, warehousing and new industrial building, have taken place in the zones around the country, which mostly have another three to five years to run.

The disadvantages were that the cost of the incentives could not be quantified in advance, while there was some evidence that the zones distorted the property market in adjacent areas.

Grants are now the main incentive. Their existence acknowledges that, to date, the private sector does not see inner city developments as viable without some injection of public money. Projects pioneered by Inner City Enterprises, whose basic funding comes from the financial institutions, and the Bradford project undertaken by the British Property Federation, which deliberately chose a particularly difficult site, underline this requirement.

The one major exception to this urban renewal rule is in London Docklands. The redevelopment of the Royal Docks will go ahead unaided by the public sector. This, however, will be a consequence of the confidence expressed by the Canary Wharf development, under construction in the Isle of Dogs enterprise zone, and simply the demand generated by London.

Elsewhere, the CBI task force - drawn from the private sector - put forward a strong case for "flagship projects", major developments in the centres of cities which have acted as the catalyst for renewal in some cities in the US. The theory goes that, once it can be demonstrated that these projects can be got off the ground, investor confidence will return to the inner city, rents and capital values will rise, and the scene will be set for long-awaited developments to get under way.

Given the tendency for financial institutions and developers to be oriented towards the south-east, the initiative needs to come at a local level.

In Newcastle, a group of local businessmen, academics, surveyors has joined hands with the city council and the Tyne and Wear Development Corporation to demonstrate how the theory can be put into practice. They identified two areas - that around the restored theatre, and the old commercial heart of the city around Grey Street which links in with the redevelopment of

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the Quayside, recently awarded to Shearwater, the Rosehaugh subsidiary, and Stanley Miller - as potential "flagship projects".

The key to this approach is the coalition of business and local government - with its planning functions and knowledge of the area. With central government providing some of the money to break the inner city deadlock, it is a tripartite arrangement that has worked particularly well in Glasgow.

Mrs Thatcher's determination to isolate local authorities constitutes a threat to this approach, however. The London Docklands Development Corporation has learned the hard way the obstacles that lack of co-operation can pose. Although many councils, like Sheffield, are overcoming their antipathy to urban development corporations, which remove planning powers from them, there is still suspicion and even hostility at the erosion of their powers. In many places, the local council has played a vital role - in Coventry, for example, providing industrial space in run-down areas that the private sector would not touch.

Some of the earliest arrivals in cities like Glasgow, or in the London Docklands, where renewal has been a success, have been the housebuilders. Since housebuilding by the public sector has virtually ceased, much more emphasis has been put on housing associations and schemes which allow low rents to be set.

The big building societies have teamed up with local authorities and builders, bringing in imaginative financing, to get such schemes off the ground. The biggest problem in many British cities, however, including inner London, is the state of local authority housing, particularly in tower blocks. Councils have undertaken all sorts of improvements - sometimes financing them by planning gain deals with the private sector. The Partnership Renewal of the Built Environment (Probe) is an agency aimed at resolving the impasse presented by impecunious councils and tenants with low spending power. But

a trip around some of Britain's council estates will reveal how much still needs to be done.

The Government has set up new housing action trusts in a bid to improve some of the worst estates. Their success will depend on substantial commitment from people appointed to them. At this stage, many still need to be convinced that they provide a solution to the housing problem. On the other hand, the initial success of the Chancellor's decision to extend the benefits of the Business Expansion Scheme to investors in property for private renting suggest that this could go some way towards bridging the gap in private rented accommodation.

Cities are about jobs as well as homes and leisure. Manufacturing will not return to the cities on the scale of earlier years, but there is a need for smaller units, and particularly managed workspaces where small companies and start-ups can call on professional advice and support. The Government has assigned a specific role to English Estates to provide such accommodation, and the private sector is increasingly involved in a few areas.

The greater emphasis on enterprise by Lord Young, Trade and Industry Secretary, has an inner city element with special levels of grant to encourage expansion of small businesses in these areas. The provision of jobs, training, business links with schools, must go hand in hand with the renewal of the physical fabric.

In spite of the fact that interest in urban renewal in the UK has come from many sectors, enormous problem areas remain - as would be expected if the Confederation of British Industry is correct in estimating that inner city rejuvenation will carry a £500n price tag. Mrs Thatcher has shifted the responsibility on to the corporate sector to reverse a longstanding decline, and in some places that might suffice. But in the areas where problems are most difficult - which would include parts of the capital - there is no clear evidence that this will be enough.

WHERE ELSE DO YOU PERFECT THE KISS OF LIFE IF NOT THE WATER'S EDGE.

All over Britain, as part of its major urban renewal effort, Lovell is transforming idle wharves, crumbling warehouses and derelict docklands into thriving new communities.

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But rescuing those areas that were the first to disappear beneath the tide of economic change is just part of the Lovell story - a story of commitment to inner city regeneration on a massive scale.

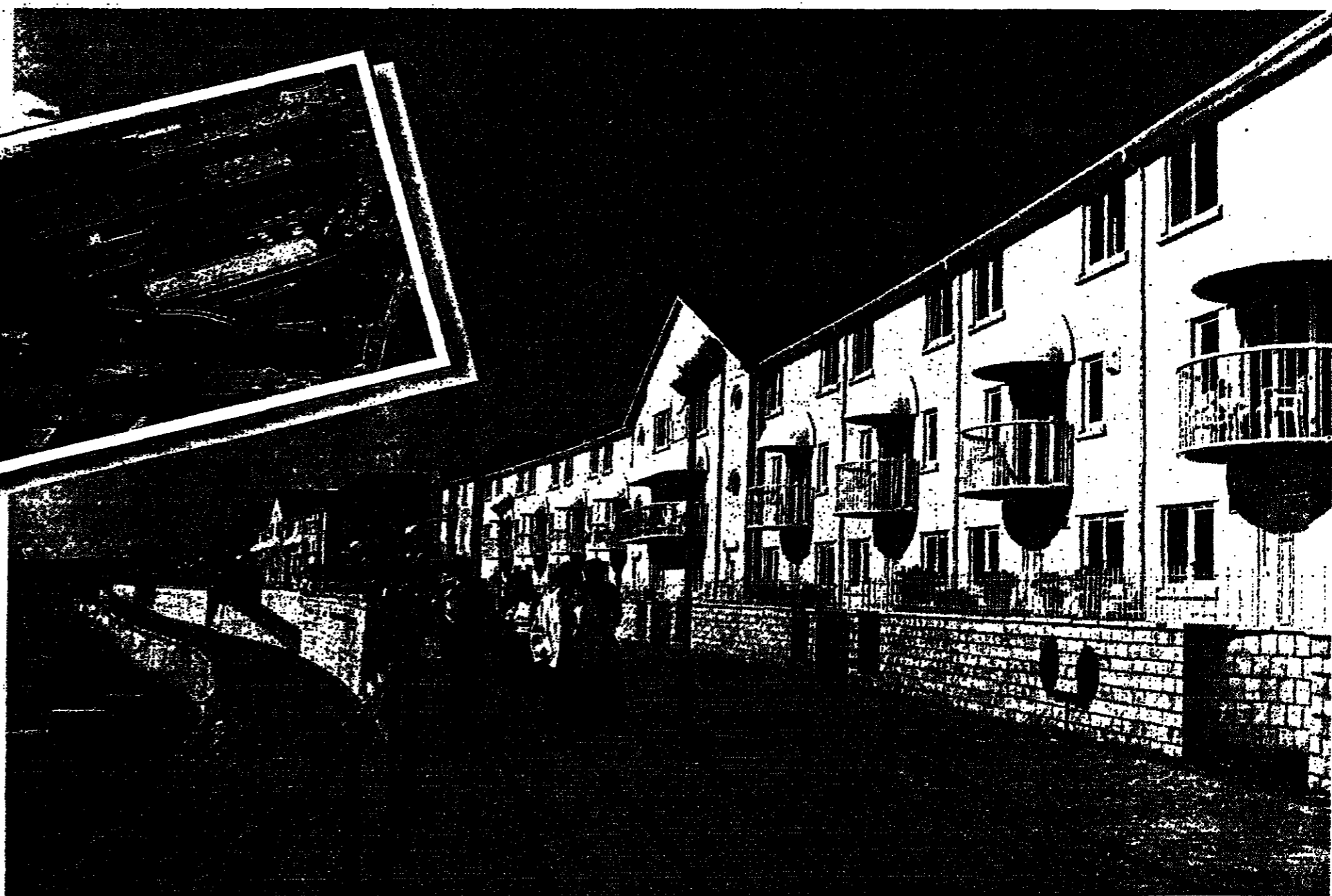
Through its national regional network, Lovell now has the largest force of men and women ever drawn from within a single company dedicated exclusively to the challenge of urban renewal.

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URBAN RENEWAL 2

Common sense suggests that an improved transport infrastructure should assist regeneration. But will it?

Railways and new roads may not suit everyone

THE UK is on the verge of a boom in urban transport infrastructure projects, mostly in the form of light rail systems, which are being considered in around a dozen cities.

Their enthusiasm follows the success of the Docklands Light Railway, in East London, opened a year ago at an initial cost of \$77m, and already being extended to cope with rapid development.

The key advantage of light rail is flexibility: it can range from tram-like vehicles operating among street traffic, to virtually full-scale trains on dedicated track - sometimes within a single system.

Extending and expanding a system once it is running is also relatively easy - the DLR was built with an initial operating capacity of around 2,000 passengers per hour, and a theoretical eventual capacity of up to 32,000.

Mr Howard Potter, transport planner for the London Docklands Development Corporation, says he is convinced the DLR was an essential catalyst for the development of the area.

The original project was cash limited by the Government, because the almost total absence of development plans for Docklands meant that even a small-scale railway would not be viable.

"But what happened was that once developers saw the track being built, interest in developing Docklands began to boom," says Mr Potter.

The LDDC's practical experience was echoed recently by Mr Rex Vickers, a director of Mott, Hay and Anderson, the consulting engineers, in a paper on the role of light rail delivered to a conference on urban regeneration held in Birmingham by the Institution of Civil Engineers.

Mr Vickers said the introduction of high-capacity transport infrastructure, in advance of development, was likely to reassure developers, who would be more confident about investment.

But the common-sense view that improved transport infrastructure is bound to help to promote economic regeneration is not universally held among academics.

A sceptical note was sounded by Prof Tony May, of Leeds University's Institute for Transport Studies, who told the conference that many of the apparent effects of transport schemes on urban regeneration were "a question of faith".

Prof May says there is considerable evidence that new infrastructure may not have the expected effect. Many distribution companies, for example, have responded to improvements in road links by closing depots, which increases their transport costs but reduces labour and fixed costs.

"Such a response may well be in the interests of the national economy, but is unlikely to help the case for localised economic regeneration," he says.

Prof May identifies three main ways in which transport policy could have an impact on economic regeneration.

■ New roads: Although these are needed, there is controversy over the effects of roads which are provided to increase access to an area, rather than to improve circulation within it.

■ Such new roads may be justifiable in terms of transport efficiency, but they can separate one part of a community from another, satisfy existing excess demand, without significantly reducing congestion; or encourage firms to relocate in order to serve existing markets from outside the area.

■ While there is considerable circumstantial evidence of the industry-attracting effects of outer orbital roads, there is no such indication that inner-city roads will have the same effect," Prof May says.

■ New rail systems, in particular light rail: These are mostly presented as ways of revitalising existing suburban rail services and improving city-centre access.

The two main exceptions are the DLR and the Tyne and Wear Metro, an earlier and more conventional scheme in Newcastle, both of which were intended to act as catalysts for development.

The evidence is conflicting. Studies have shown that the Tyne and Wear Metro produced a considerable increase in the attractiveness of Newcastle city centre, but that there was little evidence of new economic activity.

The DLR has not yet been studied in detail, but Professor May suggests that, if the LDDC's claims that it promoted development are correct, it may be because the project is a special case.

He notes that the docklands area is both peculiarly inaccessible and the focus of the expansion of the City of London following Big Bang. This combination of circumstances may have made it the case for much of Dockland's development, but "it cannot be assumed that the DLR experience is directly transferable," he says.

■ Improved use of existing infrastructure: Prof May identifies this as likely to prove the most beneficial and cost effective way to assist inner city areas. Improvements cover a multitude of policy options, from bus services to road maintenance, traffic restrictions and extra parking provision.

Prof May concludes: "The effects of transport on economic regeneration are not as clear as is often assumed. The provision of good transport is a necessary, but not a sufficient, condition for regeneration to take place; availability of land and premises are more dominant determinants of success."

"Care is required in developing a transport strategy to ensure that it will encourage regeneration, rather than reinforcing the pressures for outward migration of industry, and that it will not simply attract industry from other deprived areas."

"The choice of transport measures is important. New infrastructure may enhance the image of an area, but may not be the best way of meeting the real needs for accessibility and environmental improvement. Lower cost improvements to the use of the existing infrastructure are more likely to be targeted to firms' needs."

Kevin Brown

THE ROLE of housing in leading urban renewal is vital. It can be under-rated only in the case of atypical projects like Canary Wharf, in the London Docklands, based on attracting commercial activity eastward.

Elsewhere, cities have to be assessed from more modest vantage points. How can crumbling, unlettable housing be restored to use, partly privatised, and complemented with new urban homes for the new urban regenerators?

Although many question it, the answer appears to be only by getting the private sector involved.

Since 1980, Britain's private housebuilders have taken the lead in proving that there is no such thing as a building beyond salvation. Led by Regalian and Barratt, council blocks considered worse than useless all over the country were taken over, improved, and miraculously found buyers prepared to pay real money to move in.

Battersea Village, in Wandsworth, was the first. Regalian tendered successfully for the five run-down 1930s blocks which had become a no-go area. The 300 flats were refurbished and the courtyards carefully landscaped. They retain the freehold.

More success stories followed, and not only in London. Marlborough Park in Sunderland, was a typical award-winning 1960s estate, whose tenants expressed their distaste

for modern concrete architecture by vandalising it. The Towers, Lichfield, should never have been built - rural areas do not need eight-storey blocks on their gentle landscape.

The Villages, Cardiff, were ugly maisonettes disliked by tenants who wanted private gardens. The Falcons, Clapham Junction, were more concrete car-bunches linked by "mangers' paradise" walkways, their design cancelling out the benefit of being only minutes away from central London by train. All have been transformed by Regalian into human environments where normal people are happy to live.

At the same time, Barratt was having the same effect on estates in Liverpool, Leeds, Bradford and Rotherhithe.

Both companies have also become closely involved in partnership schemes for new-build projects with local authorities, development corporations and housing associations. Regalian has specialised in affordable homes, Barratt in shared-ownership, sheltered accommodation and rented housing.

Noble though all these efforts undoubtedly are, they barely skim the surface of the problem. A handful of bold and

socially-aware developers, a handful of enlightened local authorities - but what of the millions of council homes still languishing in the public sector with no takers? And what of the large number of local authorities ideologically

opposed to any such move? It was to tackle this wider problem that the Government devised Housing Action Trusts. Last month, it was announced that management consultants had been appointed to carry out studies of the areas proposed for the first six HAT areas: Lambeth, Southwark,

Tower Hamlets, Leeds, Sandwell and Sunderland. In each area, between two and five estates are involved.

HAT provisions are part of the Housing Bill and subject to its approval. They are envisaged as temporary organisations set up to help selected areas which have become particularly dilapidated and run-down." Like other urban renewal measures, such as development corporations, HATs are intended as they are chosen in areas where elected local government is seen to have failed.

Instead, board members will be appointed by the Environment Secretary. They could be housing experts and local people, including tenants, with an emphasis on social and racial equality.

Once transferred from the local authority to a HAT, a major programme of improvements, both structural and environmental, would take place. Other local agencies and businesses would be invited to encourage employment. Improvements would be discussed with tenants, who would also be consulted about day-to-day management. They would retain full tenants' rights (including Right to Buy and housing benefit) and responsibilities.

Once its job was considered done, the HAT would transfer ownership yet again, this time to a permanent landlord, which could be a housing co-operative or a Housing Corporation-approved private landlord. At this stage, the emphasis is again on full consultation with tenants, and the option of the HAT reverting to the original local authority is also not ruled out.

The consultants' research programme for the proposed HAT areas explains how the Government is thinking. They have been asked to prepare a social, economic and environmental profile of each area, to include unemployment and crime statistics, and report on the physical condition of the housing, the extent of design problems, and structural problems. They are also to estimate for putting things right.

"They will assess the quality of existing management, looking at the number of empty properties, rent arrears and repairs backlogs, and report on potential improvements. Vacant land on estates, derelict or otherwise, will be assessed for development potential - residential or commercial - and the local employment scene analysed.

"The scope for attracting private-sector investment is high on the research agenda, as is the scope for introducing different types of tenure and management.

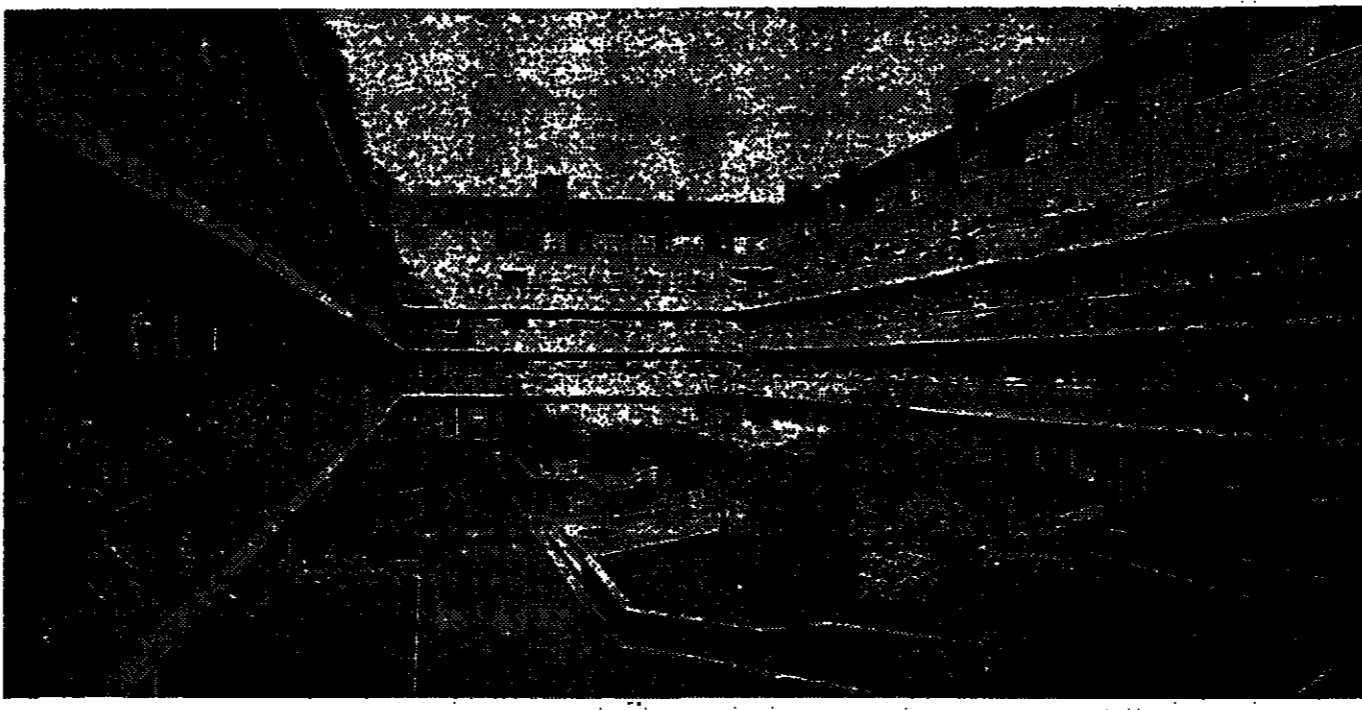
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The consultants, Peat Marwick McLintock, PIC Ltd, PIEDA Ltd and Price Waterhouse, will have to do all this in 12 weeks and report back to Mr Nicholas Ridley, the Environment Secretary, in December. He will then make his final decisions.

Mira Bar-Hillel

HOUSING

Deprived areas could get ahead with a HAT



Battersea Village: run-down 1930s blocks, which had become a no-go area, were refurbished and the courtyards landscaped.

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"The scope for attracting private-sector investment is high on the research agenda, as is the scope for introducing different types of tenure and management.

Finally, there will be "estimates of the levels of improvement and development that might be achieved over periods of three, five and 10 years and the public expenditure that would be required to achieve this."

The consultants, Peat Marwick McLintock, PIC Ltd, PIEDA Ltd and Price Waterhouse, will have to do all this in 12 weeks and report back to Mr Nicholas Ridley, the Environment Secretary, in December. He will then make his final decisions.

Mira Bar-Hillel



THERE'S A LOT OF TALK ABOUT URBAN RENEWAL. BUT IT'S NOT ALL TALK.

Without detracting from the gravity of inner city decay, it needs saying that a positive start has already been made on reversing the downward trend.

It needs saying because a climate of opinion which is all gloom and doom only makes people dependant and inhibits action.

And that is the last thing anyone needs.

In the past decade Barratt have been involved in several hundred major inner city schemes. The challenge of transforming rundown urban areas is enormous and, realistically, joint ventures are often the only way they can be tackled.

However, by going into partnership with Building Societies, Local Authorities, Central Government, Housing Associations, and other bodies, we have been able to create literally thousands of modern, secure homes for sale at affordable prices or through shared ownership.

As a result Barratt have acquired invaluable experience on organising projects involving large numbers of interested parties. And the Barratt national network

of offices is familiar with specific local conditions and problems.

Large projects, small developments, refurbishment or redevelopment - Barratt can provide a complete package of services or operate a la carte.

If you want to do more than talk about urban renewal - contact Barratt at any of the numbers listed below:

- SCOTLAND: Brian Lobb, 0324-2001
- NORTHERN ENGLAND: Eonix Taylor, 061-736 7369
- MIDLANDS: Terry Wilkes, 021-585 5303
- SOUTHERN ENGLAND: Richard Reynolds, 01-555 3242



Putting the heart back into our cities.

Industrial property outside the south-east is attracting investment.

Light falls on the dark mills

NORTH-EAST England ran out of advance factories this year, and some potential inward investors had to be turned away. It should have been starting to put their heads still confronted by worse-than-average unemployment rates in the region, but it was not.

Ministers "toughed it out". The line was that the shortfall could not have been predicted, because it was the result of faster-than-hoped-for economic recovery, the success of the north-east's sales message, and a spillage northwards of southern prosperity.

Moreover, the shortfall was portrayed not as a problem, but an opportunity. Here was the chance for the public sector to stop providing low-rent, low-return buildings for new industry and regeneration. If there were such demand, then rents must surely rise enough under market forces to give the private sector good returns for filling it.

English Estates, the Government's industrial and commercial building agency, was told to limit its speculative building to the most difficult areas, leaving the field open for the private sector to fill the gap elsewhere.

The policy appears to be working in some respects, but there must now be a question over its surviving rising interest rates that might offer investors better, safer havens for their money. Certainly, some big developers have been waiting and watching to see if less cautious competitors come a cropper. This may well be the excuse they wanted not to take the plunge.

Much may depend on the exact area of the country concerned, as the experience of English Estates before interest rates started to rise dramatically seems to bear out.

Mr Tony Pender, chief executive, says: "The ripple effect from the south-east is beginning to show. It is important not to overstate it, but it is beginning. We certainly have seen increasing private-sector interest and development in the enterprise zones.

"Where we were developing and selling, we now get a developer wanting to come in from the start, but that he is taking the risk. That was not happening 12 months ago, when investors were buying

assets as we completed them. We are now starting to get some interest from property developers and one or two institutional investors, who are starting to put their heads above the ramparts."

"The more attractive areas are doing particularly well, such as Chester, parts of the north-east and Plymouth. Our main sources of buyers for the poorer areas remain our tenants."

To Mr David Taylor, managing director of Lancashire Enterprises, the company set up by the county council to run its economic development strategy, market forces are not enough: the private sector has to be led by the water and persuaded to put in a lot or two.

"The private sector is responding quite well now that we have done the initial work and led by example, which means using public funds for the first projects."

"It doesn't matter how many drawings and attractive artists' impressions you produce, there is no substitute for showing people something that has actually been done, so that they can look at the old photographs and see and appreciate fully the before and after."

This has led to one local developer's joining in several projects, including Lancashire Enterprises' flagship project at Xanadu Wharf on the Leeds-Liverpool canal in the centre of Blackburn.

"This formerly tumbledown relic of the pre-industrial Revolution era is now being transformed into a busy complex of offices, shops, light workshops, and a pub and restaurant."

However, Mr Taylor worries that, although smaller developers with local knowledge may see the potential, national developers are very much more cautious.

He says: "Blackburn council receives masses of inquiries about office space, which is in very short supply. Despite this obvious demand, there is little development." He thinks that inflationary pressures and rising interest rates will make things much more difficult.

Mr Pender, however, is less pessimistic: "There is bound to be an effect on people doing deficit financing, but we have not yet noticed any big slow-down."

He believes that, while

short-term investors will always go for the highest immediate returns, institutions such as pension funds or the bigger developers will take a longer view and stay in.

Mr Taylor's greater caution is founded in the general trend of land values going steadily down as you move north and west from London. He says: "I agree with Tony Pender that there is a division between short-term and long-term attitudes, but enthusiasm wanes as land values decrease. Rising interest rates will depress the situation even more. The farther north you travel, the worse it will get."

However, another view is that the south-east's land values could be too high, and will drive people northward looking for bargains and a cheaper rents. Signs of this are already apparent in booming places like Manchester and Leeds city centres, which are only milliseconds from London by electronic link.

There are also some notable "before and after" elsewhere in the north, the prime example of which is almost certainly Dean Clough Industrial Park, in Halifax. It has been rescued from dereliction by Mr Ernest Hall, the founder of the Mowbray Group, who disengaged

from big-league property development to personally take on the challenge.

Dean Clough was a collection of dilapidated carpet mills with more than 2m sq ft of empty space in the centre of the town. Five years later, it contained 500 businesses employing more than 2,500 people.

The latest arrivals are Hall-fax Building Society, which has taken 80,000 sq ft, the Printing Industries Research Association, which is relocating from the south, the local YAT Inspectorate and a high technology business 'fed up with Milton Keynes."

Mr Hall says that other big companies are looking.

Many of Dean Clough visitors have been institutional investors or developers with an eye to doing the same elsewhere, or putting money into a similar venture. Although it may take time for this to work its way into the market-place, there is one unmistakable sign that something is stirring.

Mr Hall puts his finger on it: "Five years ago you could give a million away. Today you cannot buy them. Everyone is upgrading the value of them, and not selling."

Ian Hamilton Fazey

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THE HOUSE office projects in London Docklands are the most obvious British examples of how land can be reclaimed for commercial use, but they do not offer a guide to what is happening or will happen elsewhere.

Canary Wharf and Harbour Exchange spring from a combination of factors: shortage of space in the City of London; rapid expansion of the financial services sector; fears that the planning authorities would hold back an expansion of the office stock in the Square Mile; reaction to sharply increasing accommodation charges; and the availability of subsidies for Docklands development.

Such factors, which have spurred development in Docklands, will not all be in play elsewhere. If they had, development would have been quicker and more enthusiastic than it has.

Office developments outside the established business districts in regional cities have been slow to take off, because the economic growth that started in London and the south-east has taken time to trickle outward.

Property development tends to lag behind economic growth, which is why it is only in the last year that office projects have started to proliferate in regional centres.

But even before office projects could look financially viable, stock that had been surplus since the 1970s has had to be absorbed by the market. This has now taken place, and the whole sector is looking towards expansion.

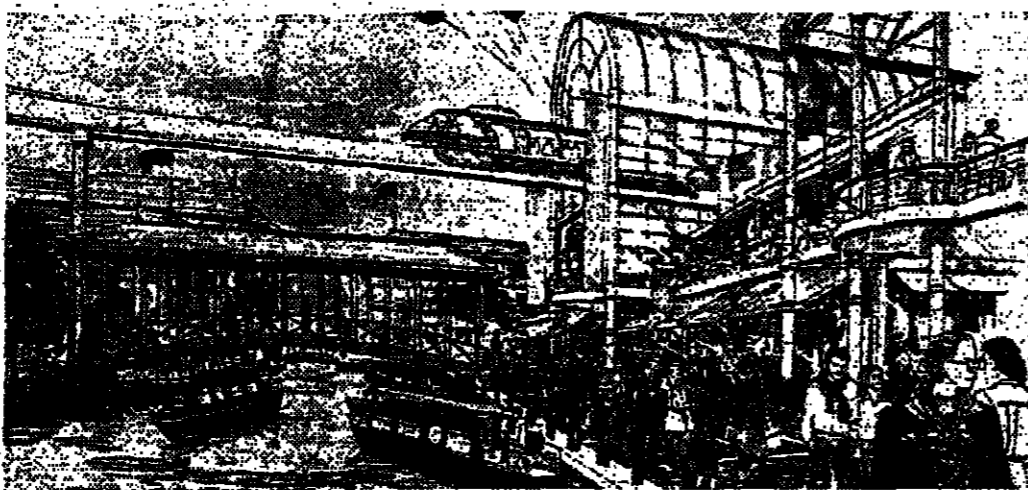
Developers and landowners, however, are not, in the first instance, going to meet any shortage of office stock by looking outside the established office areas. They will tend to move into fringe areas, into areas covered by urban development corporations, into brown-out old industrial and dock areas only when they perceive demand as strong enough to push up rents in the particular city as a whole.

Space has to be tight in the centre for development to be pushed outside. For example, because the central business district in Manchester is constrained geographically, development has been pushed outward - first, towards the smart suburbs of the south, where the skyline acts as a focal point; second, towards Salford and Trafford Park.

The Salford and Trafford Park developments, in place and planned, are part of the process of urban renewal. Where offices have been completed, they have been drawing in rents of £2-25, not much dif-

Offices: London is no guide to the regions

Rents hold the key



Merry Hill centre, Dudley: such retail bases attract an office element

ferent from those of the city centre. The point is, though, that the Salford and Trafford Park developments are, in a way, at the end of a chain, because the risk-reward equation is tilted more towards risk in the eyes of many developers.

While the Government, through the use of enterprise zones and sicker planning procedures by urban development corporations, has sought to diminish the risk factor, speculative development can be ruled out unless underlying demand is perceived. Uncertainty about future demand for office space, but certainty that there is more disposable income around, partly explains why the property industry has appeared to prefer retail, leisure and residential schemes as a vehicle for urban renewal.

There is evidence of change, though. It can be seen in the plans for a new international trade centre in Manchester, Glasgow & Oriental has been prepared to try and create a new office complex in the run-down Broomfield area of Glasgow, Shearwater and Stanley Miller have a strong office element in their plans for Newcastle Quayside, and Mountfield proposes a 500,000 square foot office complex outside Leeds city centre.

It is noticeable, too, that where retail has been the base of urban renewal schemes - as in the Cameron Hall Metro-Centre project at Gateshead, subsequently sold to the Church Commissioners, or in the Richardson Development's Merry Hill centre at Dudley, or

the Shearwater project on Southampton dockland - an office element has been added on.

In all of these cases, however, the property developers are forced to rely largely on local demand to take up the space they have created. And this brings the whole question back to the movement of the national economy. If there is no growth in the immediate locality, then the chances of office projects becoming viable, subsidies or not, are slim.

This is because the evidence of a widespread relocation from London to midlands and northern centres is small, and because it is impossible to rely on tenants arriving from overseas. Arguably, Bristol gains major office occupiers from London - Lloyds Bank, for example - but Liverpool does not.

This could change over a period if accommodation costs in the south-east become burdensome, and not least from the changes taking place in the Civil Service. The start of a movement to make departments directly responsible for their accommodation costs could chime with the general thrust of government urban policy, encouraging a shift to regional centres.

But, for the immediate future, rental levels in the different centres are a more important indication of future development plans. If rents are less than £5 a square foot, developments are not likely to be financially attractive to developers. Once they exceed £8, the position changes. Over the last year especially,

there has been a strong rise in rental levels throughout the country, ranging from 7 per cent in Hull to an average 44 per cent in the major locations of the midlands and north, according to Debenham Tewson and Chinnocks, chartered surveyors. Prime office rents have ranged from £3.75 a square foot in Bradford and Hull to £10 in Birmingham, Cardiff, Leeds and Manchester. Nearly two thirds of all new development, however, is in London and the south-east, suggesting that the nascent boom outside has a long way to go before it makes much impact in urban renewal terms.

Paul Cheeswright

DEVELOPMENT of the small business sector, it is argued, can make substantial inroads into unemployment. So the Government has been anxious to encourage provision of small workshop units, where lease or licence arrangements are flexible, to generate the creation and growth of small companies.

All this is easier said than done. The sector is not a favoured area for any but the specialised property developer. Neither institutions nor the major property development and investment companies concerned about the intensive management, have shown much interest in the sector.

Demand for small amounts of space, serviced by central telephone and other office facilities, has been growing, and the take-up has risen

markedly, especially in the south-east.

In order to meet existing demand and encourage more, the Government has sought to have English Estates, the state-owned industrial developer which acts in areas where the private sector is inactive, more closely involved.

English Estates has found that, while some areas, like Liverpool and parts of the north-east, are well served, there are gaps in Manchester, Derby and Doncaster. It will begin building shortly.

For the moment there are three main, and sometimes overlapping sources of supply. First, local authorities have been providing space - hence the co-operation of Lambeth Borough Council with BAT Industries, to establish the Brixton Enterprise Centre. And the former Greater London Council had properties which are now under the control of London Industrial, the associate of Inner City Enterprises.

Second, special companies have been established with funding from major groups and financial institutions - like Lenta Properties, backed by

Shell, BP and Barclays and Midland banks; or a unit established by British Coal.

Third, specialist investment groups and developers, such as Skillion or the London Small Property Business Trust, have found it possible to run businesses that provide small premises at a profit.

But each of these categories faces the same problem, at least in the south-east: the escalating price of sites. Only if a site can be bought at rock-bottom price is it possible to put premises on the market

that give the developer some sort of return. This is why there is so much emphasis on buying old factories, which nobody appears to want, and converting them.

Paul Cheeswright

CONTRACTORS

Tenders overfuelled

mainly invested in negotiations and research."

So far, Bud has partnership arrangements with the Tees-side and Black Country UDCs. More significantly, it recently announced a partnership agreement with Labour-controlled Leicester city council and Leicestershire county council.

The members of Bud are, to some extent, motivated by the fact that civil engineering, their main contracting staple, is under pressure internationally, and they are having to defend even their home patch against the aggressive Japanese.

But in general contracting, in the current climate, private interest in worthy causes needs encouragement. It is therefore not surprising that last month's report from the construction sector, entitled Reviving Britain's Inner Cities, was subtitled "Tax incentives for urban regeneration", and was prepared by the industry's joint taxation committee.

The report says all the right things about the importance of urban renewal and the need to shift "the economic centre of gravity" away from the south-east to relieve pressures of overheating, wage inflation and risk to the green belt.

The report welcomes the new streamlined City Grant, which has replaced the earlier and more cumbersome IDG and URG system. But, it says, "it needs to be complemented with a system which will go

further in providing speedy incentives with certainty and flexibility".

The main ingredients of the proposed tax package are: ■ Provision for approval of urban development areas and individual projects outside those areas by the Government. ■ Extension of Business Expansion Relief for individuals investing in companies carrying out approved projects. ■ Relief against Corporation Tax for companies investing in approved project companies - repayable, at the latest, 10 years later. ■ Tax-free interest on loan stock issued by approved project companies, for a maximum of 10 years after the completion of construction and available to investing individuals and companies. ■ Capital allowances at a special rate of 5 per cent, on commercial and residential buildings in approved projects. ■ Companies are showing an increasing awareness that their business interests and the economic and social welfare of the communities in which they operate are very closely linked. The encouragement of a tax incentive would get a lot more companies actively involved in the regeneration of towns and cities affected by industrial transition, and such involvement would make an enterprise culture more acceptable," the report concludes.

Mira Bar-Hillel

Small workshops: demand exceeds supply

Trusting in units

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Paul Cheeswright

From derelict sites to desirable homes.

Urban re-development is an important issue. One which requires an understanding of the needs of local communities and the skill to build the best homes to suit local people and their environment.

This is an area in which Wates excel. We have many years' experience of re-developing urban areas, both refurbishing flats and houses owned by local councils; and providing new housing on land which local authorities cannot develop themselves. By rejuvenating derelict areas and making the best use of existing housing we have built attractive developments - providing a variety of quality homes for the community, from studio flats to four bedroom detached houses, bungalows and sheltered retirement homes.

We work closely with public authorities, often in partnership which benefits everyone involved. With limited finances available to local authorities to spend in the public sector, cost-effective methods of providing suitable housing are vital.

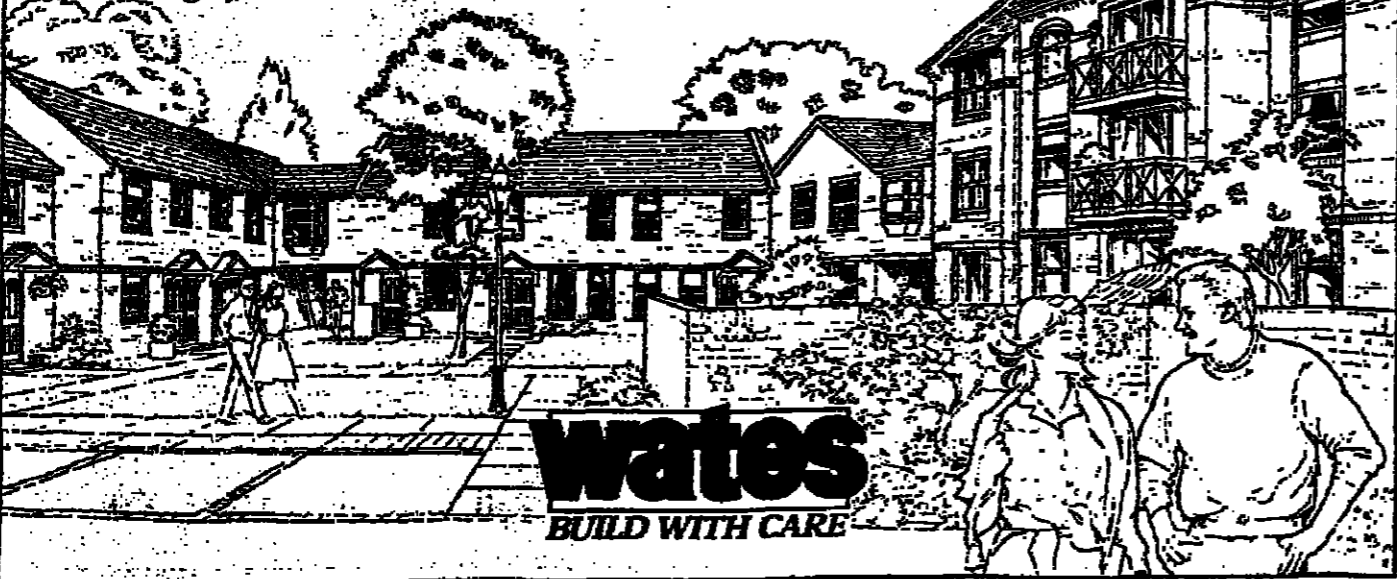
A partnership with Wates produces carefully planned schemes, and on sites with existing housing, economic and well designed use of space. An example of this is Penmethorne Place in Hackney where Wates was recently highly commended for the What House

'Best Urban Renewal' Award. The local community also benefits, as the standard of homes built is often higher than that achievable without such a partnership. Packages can be negotiated to provide the right scheme for the area. For example, land provided by the local authority at less than full market value allows for a discount on the price of houses to council nominees.

Wates also has strong ties with central government and financial institutions. We know a great deal about grant aid systems which, in some cases, can be used to procure land and refurbish buildings where development costs may exceed the value of the finished scheme.

We also work closely with public and private landlords to regenerate derelict or underused inner-city land. Most of these schemes are exclusively for housing but some include shops, offices and community facilities.

For further details please contact Nigel Stuart-Baker, Development Manager, Urban Renewal, Wates Built Homes Limited, 1260 London Road, Norbury, London SW16 4EG. Telephone: 764 5000 x 2613.

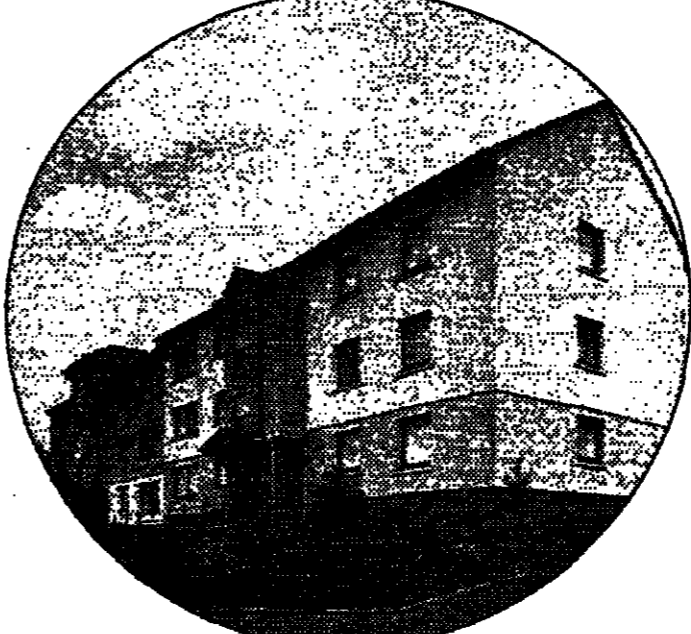


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Our design solutions can often be radical.

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The Approach

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The Plan

Contact Anthea Munday to secure your copy of The Strategic Plan - available from 21 October - at Leeds Development Corporation, 5th Floor, South Point, South Accommodation Road, Leeds LS10 1PP.

Tel: 0532 446273 Fax: 0532 425680.

KIRKLEES
Engine for Growth

THE KIRKLEES APPROACH TO REGENERATION

To promote the economic and social regeneration of the new Kirklees Council has joined forces with the private sector - including 2000 and Enterprise Development - to form a new company called Kirklees Engine for Growth.

A series of projects will be undertaken throughout Kirklees, ranging from prime commercial opportunities to those which are socially and environmentally desirable.

The five to ten-year programme will result in investment of at least £20 million in Kirklees.

For further information on Kirklees contact: Mr. A. Goodrum, Employment Development Unit, Kirklees Metropolitan Council, Market Street, Huddersfield, HD1 2EY, West Yorkshire, Tel. Huddersfield (0484) 22123 ext. 2264.

URBAN RENEWAL Experience shows...

...that regeneration of the UK's depressed and derelict urban areas can only be achieved by close co-operation between the public and private sectors. Each side needs to know how the other can help; how it works; and what its limitations are.

A wide range of initiatives - economic, financial, physical, social and educational - are needed to secure the turn-around of run-down areas. But time and again, land and property have proved a central issue. Physical development has been the key to regeneration.

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URBAN RENEWAL 4

URBAN DEVELOPMENT CORPORATIONS

The local touch is crucial

URBAN DEVELOPMENT corporations are at the forefront of the Government's policy on urban renewal.

In the past year, three new corporations have been set up, in central Manchester, Leeds and Sheffield. Plans for the fourth, in Bristol, are being opposed by the city council. The petition is expected to be heard before a House of Lords committee this autumn.

At the same time as plans for these "mini" UDCs were laid before parliament, extensions to the boundaries of the corporations on Merseyside and the Black Country were agreed. Consideration is also being given by ministers to the extension of the territory covered by the London Docklands Development Corporation.

London Docklands, set up in 1981 by Mr Michael Heseltine when he was Environment Secretary, has been successful in terms of the amount of private-sector investment it has generated.

Between 1981 and 1983, the LDDC estimated that a total of £4.4bn had been committed by the private sector in the area, of which £2.8bn was on sites disposed of by the corporation. Over the next four years, the investment figure is expected to double on the assumption

that the economy remains buoyant.

The most significant development in the past year was the start of the £28m Canary Wharf financial centre project. The next major area of development is the Royal Docks, where the London City Airport has opened. Four major schemes covering three different sites have been put forward by consortia, which include offices, leisure complexes, housing, a hotel and shops.

Despite its commercial success, London Docklands continues to be criticised by MPs and local groups for its lack of attention to the less advantaged residents of the area, particularly in housing, job opportunities, training and community facilities. The Corporation has been increasingly criticised to make more provision in these areas, supported by recent appointments to the board of people experienced in training and social aspects.

It has also signed accords

with the borough of Newham covering the proposed developments in the Royal Docks, and with Tower Hamlets. It is hoped that the latter will enable much-needed road improvements to be approved by the council, and to be built on time.

Communications to Docklands, and within, are a major source of concern to developers and the corporation. Better road access is vital, as is better public transport. The Docklands Light Railway is being improved, and is likely to be extended to Beckton (financed by LDDC land sales).

The Merseyside Development Corporation has been criticised, notably by the National Audit Office, for different shortcomings. In particular, it was said to be slow to find exploitable opportunities. Developments are now proceeding, however, at a much faster rate.

The experiences of the original two development corporations - at different ends of the

development spectrum - have been absorbed by the new corporations. Their boards and management have put considerable emphasis on the need to ensure that training is provided for local residents to enable them to take up new jobs - particularly important on Teesside and Trafford Park, where job creation is a prime goal.

More effort is being made to ensure that development relates to surrounding districts, and to win the co-operation of local authorities. Considerable care is being taken in Tyne and Wear, for instance, to ensure that developments will enhance the attractions of the area.

The performance of the UDCs in relation to inner city regeneration is critical. In such, the inner cities are now seen as the key to regional development, as the Government shifts the emphasis away from grants to encourage industry to expand in the regions, in favour of concentra-

tion on the improvement of the fabric of the cities in the regions.

In this way, it hopes that more companies will want to re-locate to the regions.

The newer UDCs have one major limitation, however, and that is money. Total expenditure in the current financial year was allocated at just over £200m. The figure will rise as the new UDCs move into their second and third years of operation. Meanwhile, the LDDC, which was granted £280m in 1987-88, will be moving increasingly towards a situation where it can finance activities from its own resources, mostly sales of land.

The new corporations have small staffs, mostly from the public sector, and local authorities in particular. Their experience of the private sector may well be limited. Expertise frequently has to be bought in from consultants.

Given the scale of the tasks which must be undertaken by the UDCs if they are to be in a

position to offer sites to potential developers - land clearance, acquisition, provision of communications - their resources are small. They have to be viewed in the light of the private sector's showing much more interest in the inner cities, but that commitment is still thin on the ground.

The temptation must be for the UDCs to give permission to schemes that may fall far short of their ideal, just to show that something is happening. This was the case in London Docklands in the early years. It had the virtue of getting the ball rolling, allowing the corporation to become more selective as time went on.

But it would not be surprising if areas that have less going for them than proximity to the City of London were to jump at the opportunity to take development on board.

The Government originally envisaged a life of six to seven years for its creations, but it would not be surprising if it took them considerably longer to make the impact expected of them. That would probably be the case if the economy were to lose its growth momentum: inner cities could then lose their attractions overnight.

Hazel Duffy

Private-sector initiatives: FT writers profile some projects in the inner cities

BPF picks the most difficult route

ST MARTINS Property Corporation will shortly call tenders for the construction and engineering work on the Listerhills Road project in Bradford.

The London-based group, a subsidiary of the Kuwait Investment Office, has taken control of a project that was initiated and taken through the planning and grant application phases by the British Property Federation.

In 1985 the BPF, seeking a means to contribute to, and set an example for, the general urban renewal programme, decided to make productive use of the most difficult piece of land it could find.

It set up a committee, chaired by Mr Geoffrey Carter, then a director of Trafalgar House, with representatives from St Martins, Dorrington, Greycoat, Esalemere, Hotspur, MEEPC and Wingate. Its search led to what was, in effect, an old rubbish tip on top of an unknown number of subterranean caverns not far from

Bradford University. Once it had worked up a mixed scheme, involving managed workshops, studios, housing, local shops and a pub, it obtained planning permission from a co-operative Bradford City Council in 10 weeks.

No member of the committee had had experience of grant applications, but the finances of the scheme would not add up without some form of subsidy. An application for an urban development grant was made in April. Approval for £1.55m came in July. This is a higher proportion of grant than usual - £1 for every £1.78 of private investment - and works out at a cost of £3,500 for every job created.

The relative speed with which it came through has provided lessons. "The key is to get the local people on your side. The central side won't cope unless the scheme has the approval of the local representative," said Sir Peregrine Rhodes, director general of the BPF.

"If you sit at a safe distance, it takes a long time. You have to go and see people," he added. He deprecated the idea of trying to do everything by correspondence: it was much easier to sort out any difficulties, span any communications gap, across a table.

From the BPF point of view, the idea of all this has been to show that it is possible to harness property skills to the availability of official funds. This, the BPF thought, would encourage property companies to look at the less favoured areas, taking into account a Government financial contribution, as development prospects.

It was accepted, though, that the scheme could only be advanced a limited distance by a committee. That is why St Martins has now taken it over. But St Martins will make sure that it is local contractors who do the work on the site.

Paul Cheswright

Reshaping Bristol Phoenix-fashion

IN 11 months since the Phoenix Initiative set up in Bristol, it has attracted a small amount of private capital, secured the co-operation of the city council and got some projects off the ground.

It is funded by the private and public sectors to help the run-down inner-city areas.

Mr Denis Burns runs Phoenix in Bristol, on secondment from accountants Arthur Young. "We are a neutral catalyst in getting projects moving," he says. "We identified 10 or 11 schemes that were thought to be worthwhile, and as I got one off the ground I could then move on to the next, leaving the operation of the previous one in the hands of others."

The first project has been in

the Broadmead, the 1960s shopping centre under threat because of the amount of out-of-town shopping authorised by the council at Cribbs Causeway.

Ladbroke has already come in with an £20m redevelopment scheme for those properties the group owns, but if the area is to continue as the main city-centre shopping area much needs to be done about parking, covering and refurbishment.

The problem is that the decision-makers do not work in Bristol. The shops are run by managers.

"The essential thing is to get the shops, the ground landlords, the developers, the council, all working together," says Mr Burns. "We made contact with everyone at head-office level, told them we would act as agent to bring everyone together, raised between £20,000 and £40,000 to fund the action, and now have a team looking at which problems should be tackled in which order."

Phoenix was set up nationally in 1985, and has slowly gathered momentum. Bristol was the third to be set up, after Manchester and Salford, and has been followed by the Wirral and Middlesbrough.

CBI sees its task-force as a catalyst

NEWCASTLE HAS been chosen by the Confederation of British Industry's inner cities task-force as the centre of a pilot project which plans to bring together the private and public sectors in a broad partnership at a local level.

The Newcastle Initiative, launched in June, was set up after consultants commissioned by the CBI had identified projects which would benefit from the partnership approach. The projects were primarily property ventures - the development of a theatre village around the restored Tyne theatre, and renovation of the Grey Street area to provide quality office accommodation.

The plan is to group the owners of land and property in these areas, and encourage them to work together with the city council. In this way, it is hoped that these areas, when renovated, will provide a focal point for city centre activities.

By concentrating on property in the vital first stages, the CBI hopes to emphasise its point that the private sector can only be expected to respond to the Government challenge on the inner cities if it can be confident that it will earn a decent return. In other words, inner city regeneration will only come about on the sort of big scale that is needed if it is to be seen not as charity but as business.



Mr Bill Hay: chief executive of the Newcastle Initiative

From that point, parallel initiatives are being taken in Newcastle. They include a plan for the city to play a role in supporting and building on Japanese investment in the north-east, aiming to attract Japanese restaurants, banks, service companies.

The Newcastle Initiative has a full-time chief executive in Mr Bill Hay, who is on secondment from British Telecom. He

Warmer investment climate suits ICE

MIDDLESBROUGH, Britain, the unattractive bits of Birmingham - in such areas Inner-City Enterprises has demonstrated quickly to the financial world that investing in the inner cities, with the help of government grants, can be commercially viable.

ICE was set up in 1982 by the big financial institutions, in response to the challenge by Mr Michael Heseltine, then environment secretary, that they should be doing something in the inner cities.

The period that followed was a poor one for the investment property market, and the ICE experiment got off to a slow start. But the climate improved. Recently several projects, where ICE has acted as developer, have come on stream, and the company now finds that the big increase in investment interest outside the most popular areas is widening its range of opportunities.

ICE, however, wants to make a point. It prides itself on pioneering new forms of development - like the period office conversion in an unattractive square near the centre of Birmingham. Mr Charles Brocklehurst, managing director, explains how the presence of an insurance company as an investor gave a way out to the local trader developers, and helped to hold prices.

Other developments have included small business units in Brixton; mixed business/residential units in Greenwich, carried out in close consultation with the local council; and studios in Notting Hill.

Work has started on the development of a new building, behind a listed Victorian gothic facade at Aldford House, Manchester, into design studios with ancillary residential use, a canal-side restaurant, and a ground-floor showroom. The cost is put at around £2m. A grant of £200,000 has been agreed by the Department of the Environment. The development is intended to be a catalyst for the redevelopment of immediate surroundings.

ICE recently agreed a joint venture with Middlesbrough council, which owns the site on which the new Cleveland

Business Centre will be developed. This venture had been mooted some time ago, but finance had proved the stumbling block until ICE came up with a funding package.

The biggest deal concluded by ICE was in July 1987, when it bought most of the former Greater London Council's industrial property portfolio. Part was sold on to London & Edinburgh Trust. The balance, consisting of small workshops, was retained to be run by London Industrial, a company set up by ICE to manage the property.

The succession of deals has broadened the experience of the small staff at ICE, and, most important, has boosted the institutions' confidence in an intermediary that was set up as an experiment.

Hazel Duffy

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URBAN RENEWAL 5

PARTNERSHIPS

UDCs are not always needed

THE IDEA of a town council going into partnership with local industry and commerce to regenerate a dying economy has worked well in the US with Lowell, Massachusetts, the best-known case.



Grey Street, Newcastle, has been selected for renovation

Several principles seem critical: people and bodies must co-operate; there must be leaders from each side who can work together, and they themselves must see beyond their own role in the community.

It has taken a decade to see these principles at work in Britain, but there are now examples. Calderdale, the West Yorkshire borough centred on Halifax, used Lowell as a model for a partnership experiment, with the help of Business in the Community (BIC).

A steering group of local business and civic leaders plans strategy and makes sure that all effort is in the same direction. BIC has a man on the ground, and a senior executive from London effecting national introductions to BIC supporters likely to bring in jobs and investment.

Mr Michael Ellison, chief executive of the borough council, puts the number of new jobs created through the partnership's efforts at about 1,000 in the first year.

This year BIC extended the experiment to Blackburn, Lancashire. The new partnership's "enabler" is Miss Jo Valentine, seconded from Barings, the City merchant bank.

"I am acting as a broker between the public and private

sectors," she says, listing a dozen projects on the go.

These include lobbying for the relocation of government offices from London, helping set up a compact between local industry and schools; and establishing a venture capital fund for the area.

The BIC-inspired partnerships are one example of the process. Other places have developed their own style. They include Hull, Glasgow, Sheffield, Birmingham and Bradford, and smaller towns like Newport, Preston and Rochdale.

The partnerships prove that there does not have to be a government-imposed urban development corporation (UDC) with its own planning powers in order to effect economic regeneration. Indeed, loss of planning powers has been the principal reason for local authorities opposing UDCs so far.

In some cases - as in Merseyside, where Liverpool's

Labour council of 1983-87 saw the key to regeneration as a municipalised house-building programme - the UDC may have been the only route to the sort of industry-led, wealth-creating regeneration the Government wanted.

In others, as at Trafford Park, Teesside, the Black Country and Tyne & Wear - the UDC's powers are important for assembly of derelict land and getting it up to scratch for development.

The extraordinary downside risks - the potential for loss if things go wrong - usually embodied in the punitive cost of bringing land up to development standard, may well have required extraordinary solutions. Where the risk was less marked, astute operators in the private sector have started to emerge, for example Bellway Urban Renewals, a subsidiary of Tyneside's Bellway Group.

This year it got the largest urban regeneration grant yet from the Government: £17m

towards the £68m it will cost to redevelop the disused Victoria Dock area in Hull. This will involve 1,200 homes, a mile of sea defences, two schools, as well as offices, shops and a hotel.

Mr Bill Stephenson, of Bellway, says: "Commercial activity is a key ingredient of successful regeneration, but can you get the commercial private sector into anywhere if there is nowhere good to live? You have got to make the district look good and make it a good place to live in. Housing and regeneration go hand in hand."

His methods are also instructive: "I get moving well in advance of anyone planning anything, and we are then allowed to carry on. We have proved we can be trusted. The whole urban renewal scene is a matter of confidence. We have about £100m of work on at the moment, all of it with Government and local authorities."

"I do it differently from the UDCs by making much fuller use of local authorities, since they have most of the skills needed. They know the patch. It's a hell of a shame not to make more use of these resources. At St Helens, the centrepiece is Ravenhead Renaissance, a company limited by guarantee, which is trying to regenerate 40 acres of derelict industrial land which is cheek-by-jowl with the city centre."

The project is backed jointly by the local authority, Milverney Properties and three industrial giants - Pilkington,

United Glass and British Gas - which once had works on or near the site. Prof Graham Ashworth, of Salford University, chairs the company. The chief executive, who came from the Scottish Development Agency, is Mr Andrew Russell. "We run it like a UDC," says Mr Graham White, St Helens economic development officer. The Government has been impressed enough to promise substantial funding to help get land ready for development.

Where there are UDCs, there now seems to be an adjustment to them - a fact of political life. Nowhere is this more obvious than in Sheffield.

There, the local authority and the business community sank their long-publicised differences to work together - but failed to persuade the Government to let their new partnership have £50m to regenerate the 2,000 acres of the Lower Don Valley, which had been turned into a patchwork wasteland by steel industry closures.

Instead, a UDC was imposed, on the grounds that the Government had to be directly accountable to parliament for the way so much money was spent. It was perhaps the acid test of the new partnership that all sides have since been able to adjust.

The UDC and the city council have agreed a formal process of consultation on policy and practice: in other words, co-operation of all parties has been secured. Coupled with strong leadership from Mr Clive Betts of the city council and Mr Hugh Sykes, a highly-successful businessman who chairs the UDC, Sheffield may well be the role model for the 1990s.

Ian Hamilton Fazey

Political initiatives: relationships have improved

Councils co-operate

URBAN RENEWAL has always been a political issue, even before the first outbreak of inner-city riots in the early 1960s which placed it high on the agenda.

Recognition of the problem was a gradual process. In the early 1970s the Greater London Council, shaken by the property boom-and-bust and riding an emotive anti-offices wave, introduced Office Development Permits and set up the Location of Offices Bureau in a carrot-and-stick effort to encourage businesses to move out of London.

The LOB was not disbanded until a decade later, but before the general election of 1979 its function suddenly went into reverse, as it tried to attract businesses back. The state of inner London, rapidly becoming an industrial and small business desert, made this inevitable.

At the same time the Labour government, with Mr Peter Shore as environment secretary, was waking up to the problem nationwide and beginning to take action. But the Labour approach was still heavily rooted in public spending and leaving ultimate decisions to local authorities, some of which were responsible for their creating their local problems in the first place.

The Conservatives took over with a different set of priorities and constraints, and many of their policies were to have profound effects on the inner cities problem.

Tenants' Right To Buy their council homes, for instance, was aimed not at urban renewal but at vote-catching, but it made a contribution by helping to break down the sector barrier which had previously stigmatised entire areas. A more direct measure was the establishment of the first urban development corporations, in the London Docklands and on Merseyside.

The political process often appears slow, but, looking back, its effects have been generally noticeable, and in specific locations very impressive indeed. Almost 10 years on, those involved in it note major improvements in two areas that had previously slowed the process.

Relationships between government departments involved in urban renewal have become less fractious and more co-ordi-

nated, with overall control vested in the Cabinet Office. And relationships between central and local government have improved.

Of 57 "target areas" identified in the Government's Action for Cities report, published in March, 54 are Labour-controlled. All the new urban development corporations are designated in Labour areas, yet the only objection to has come from Bristol.

Elsewhere, Labour authorities are either accepting the inevitable or learning that ben-

Of 57 'target areas' Identified in Action for Cities, 54 are Labour-controlled

efits will come only to those who will talk to those in a position to provide them. After years of defiance, councils like Tower Hamlets and Newham have come to recognise that London Docklands will be developed with or without their approval.

But, for government purposes, local authorities are still too slow. In May, the urban development grants and urban regeneration grants, which were administered by local authorities, were replaced by city grants, given direct by the Environment Department.

Only one week later the first city grant, worth £60,000, was paid out in Nottingham. In August, a £3,200,000 grant was awarded to Derby developers J.F. Miller & Co to transform the 18-acre former foundry site adjacent to Derby County football ground into a major industrial park.

This case was significant, because the site also became the country's first Simplified Planning Zone. With the agreement of Derby city council, planning permission is deemed to exist for 10 years for a wide range of business and industrial uses without the need for planning applications - or fees. It was the combination of the grant and the SPZ status that made it possible for about £9m of private money to be invested.

Not that the UDG and URG were not a success: since they began, 314 schemes have benefited from £19m of public money and brought in £77m of private investment. Almost

33,500 jobs, 8,850 homes and 1,533 acres of reclaimed land are also not to be sneezed at. But the Government saw the change to city grants as an important move to streamline the process. Since May, five city-grant schemes have been approved, with £5.2m of grant attracting £14m of private money.

Inter-departmental co-operation is also an important factor. Environment is responsible for city grant, UDCs, and all planning aspects of derelict land and vacant land, where efforts are now being made to transfer the burden of keeping registers to the public authorities hoarding the vacant land in question. But initiatives regarding improving inner city safety and tackle crime require Home Office involvement.

The Small Firms Service is run by Employment. City action teams, task forces and breakfast meetings with potential private investors are a Trade and Industry responsibility. City technology colleges and employer-school compacts, guaranteeing a job with training for school-leavers, are an Education Department matter (with Employment). And vital development infrastructure, like the Black Country Spine Road, is a Transport project.

Since Action for Cities was launched in March, information from and about all of them has come neatly headed with the Action for Cities logo, and individual department credits take second place. To those familiar with previous problems that arise when responsibilities overlap, this makes a significant and refreshing change.

The Action for Cities report listed the priorities:

- Encouraging enterprise and new businesses, and helping existing businesses to grow stronger.
- Improving job prospects, motivation and skills.
- Making areas more attractive by tackling dereliction, bringing buildings into use, preparing sites, encouraging development and improving housing.
- Making inner city areas safe and attractive.
- Six months on, the political will appears undiminished and the progress steady and on the right course.

Mira Bar-Hillel

Spotlight on two areas with special, but differing, problems

Pump-priming helps to give the valleys a facelift

ABERTILLY lies a dozen miles north of Newport in the heart of what was once the prosperous south Wales coalfield, writes Anthony Morrison.

Today, the pits have all but gone, taking with them most of the prosperity they generated. However, to prevent the town existing solely as a feeder dormitory for Newport, a £10m scheme has been proposed by the Welsh Development Agency to give Abertillery an economic and social facelift. A new market is proposed, some new housing, and a re-opened railway line.

The plan is typical of what is being proposed for many of the valley communities in south Wales. It is now accepted that a little pump-priming, combined with an infusion of private-sector money, can arrest the decay and decline of whole communities.

The Abertillery scheme is matched in Cardiff three or four miles down the valley nearer Newport; by a smaller plan to "envelop" 49 houses.

Developing means that the outside of a group of houses are improved in a joint programme, after which it is hoped that householders will improve the inside.

These are examples of what is happening in the valleys of south Wales as government pump-priming seeks to encourage improvements in the social fabric and make land available for companies to move in.

The valleys have been described as Wales's only inner-city problem areas. Compared with parts of Leeds, Leicester and Liverpool, or inner-London areas such as Brixton, Stoney and Southall, they can hardly claim to be deprived. But they do have problems resulting not just from the loss of their base industries, but also from the legacy of 18th and 19th century housing.

Other aspects of the economy also need improvement. Ties need to be removed, derelict land cleared, land flattened to allow factory building. New,

privately-developed, housing is essential. Road improvements are necessary. Above all, the environment needs to be cleaned up if newcomers are to open factories.

It was to respond to these needs that the Government launched a Valleys Programme this summer. The aim of Mr Peter Walker, Secretary of State for Wales, was not to throw money at problems so much as to pump-prime, hoping that example and exhortation would cause others to follow.

The Government has certainly made money available. Some £20,000, for instance, has been allocated to the conversion of a former light-bulb factory at Ammanford, above Llanelli, to help convert it into a managed workshop capable of accommodating up to 23 starter units.

Another £15,000 has gone towards improving a senior citizens' hall in the borough of Rhymney, in Gwent; and a post office in Tonypandy, in the

Rhondda, has received £25,000 towards the cost of pedestrian-friendly changes in Merthyr Tydfil has received £50,000 towards refurbishment, and the bus station in the town has been improved.

Partly in the Rhondda valley, and Rhymney have both been helped to make environmental improvements, and commercial properties have been assisted in Aberdare.

Critics have accused the Government of merely tinkering with the problem, and it is true that the amounts in schemes such as these do not add up to very much. Fourteen projects are being backed to the tune of £450,000, and it is not possible to do very much at an average cost of £30,000 each.

The Government replies that some projects have attracted larger grants but that, in any case, this spending has to be seen in conjunction with being stimulated in the private sector.

The first private executive

housing in a south Wales valley has just been completed by the Barrat group at Clydach Vale, in the Rhondda. The Wales Tourist Board has helped to turn golf-course complexes into hotels and backed heritage schemes. Two of the leading brewers, Bass and Whitbread, have announced plans amounting to some £38m to upgrade about 150 of their public houses.

Some authorities have responded better than others to the government initiative.

The Rhondda has eagerly sought ways to benefit from almost everything coming out of the Welsh Office. The adjacent Cynon Valley authority has spent more time pointing out how deprived it is than in seeking ways to benefit.

West Belfast fights back with enterprise culture

NINETEEN years of civil disorder and sectarian strife have taken their toll on West Belfast, writes our Northern Ireland correspondent, Chomke.

unemployment, sub-standard housing, inadequate health and educational provision and a poor physical environment characterise a region acknowl-

edged as one of the most deprived in western Europe. In some of the sprawling urban conurbations unemployment is running at 80 per cent.

Obsessive international media interest in the terrorist campaign exacerbates the image problems and makes the attraction of inward investment financially difficult. Yet West Belfast is battling back with a community-based self-help philosophy.

An enterprise culture is gradually transforming the job-starved landscape, and carefully targeted business initiatives are flourishing in what until now has been an economic wilderness.

So seriously is the subject treated that West Belfast recently hosted the agenda at a meeting of the Anglo-Irish Intergovernmental Conference.

The British Government, keen to demonstrate to representatives of the nationalist community that practical action was being taken, earmarked an additional £10m for projects in the area this year.

A new central government unit, headed by Northern Ireland's top civil servant Sir Kenneth Bloomfield, who himself survived an IRA murder attempt last month, is co-ordinating a development strategy in consultation with the public agencies and the private and voluntary sectors.

Over the last 18 months, special government action teams, homing in on specific areas, have supported 150 community initiatives in West Belfast. The number of teams, each with an annual budget of £500,000, is being doubled.

Other projects this year include the establishment of job markets in the Falls and Shankill Roads, improvements to community workshops, and an extra 500 jobs for the long-term unemployed with emphasis on self-help community initiatives.

The consumer spending boom has not gone unnoticed, and last month 120 adults embarked on a year-long training programme in the retail and distribution sector.

That initiative should pay dividends when a £5m shopping development being undertaken by the private sector at Andersonstown opens in two

years time. A major package of support is also being provided for the West Belfast Enterprise Board, to help it establish a centre for enterprise development in the former American Monitor premises.

Two months ago the International Fund for Ireland, set up with donations from the US, New Zealand and Canadian governments, weighed in with a £500,000 grant to the board.

Around £800,000 will be used to sub-divide the factory, and the rest will form a "seedcorn fund" from which the board will sponsor fledgling enterprises.

The International Fund has already approved support of £1m towards the cost of six local enterprise projects in North and West Belfast. These cross-community ventures aim to accelerate the development of local businesses, through the provision of small factory units with centralised services and access to management advice and business counselling.

In an attempt to enlist the positive involvement of local people through community initiatives, the Government has authorised a further £250,000 for the voluntary sector this year.

Part of the £10m cash injection will be used for new health, education and environmental projects designed to improve the general quality of life for local residents.

When set against a planned public expenditure programme of almost £600m in Belfast this year, the extra £10m seems like a drop in the ocean by comparison with the extent of deprivation. Indeed, Mr Gerry Adams, Sinn Fein MP for West Belfast, argues that the Government is simply trying to give the impression of doing something while ignoring the basic problems of the area.

The Social Democratic and Labour Party, Northern Ireland's main constitutional nationalist party, believes an injection of £100m to tackle deprivation would be more realistic.

But it is clear that the reversal of the social and economic decline of West Belfast has been given a high priority by the Government.



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Wales has shared in a massive flow of investment; from the new offices, business parks and maritime quarters of Cardiff, Swansea and Newport to the renewal of historic towns and resorts from Deeside to Anglesey, via the new A55.

And, last June, the Rt. Hon. Peter Walker MBE, Secretary of State for Wales, launched a 3-year £500m programme of public investment in the Valleys to draw in £1,000m of private investment for renewal and development.

In this brave new Wales, the signals for success are strong and consistent.

To talk about the ways in which you could become a partner in that success, contact the Urban Renewal Unit, Welsh Development Agency, Pearl House, Greyfriars Road, Cardiff, CF1 3XX.

Or call John Pavitt or Martin Hall on Cardiff (0222) 222666.

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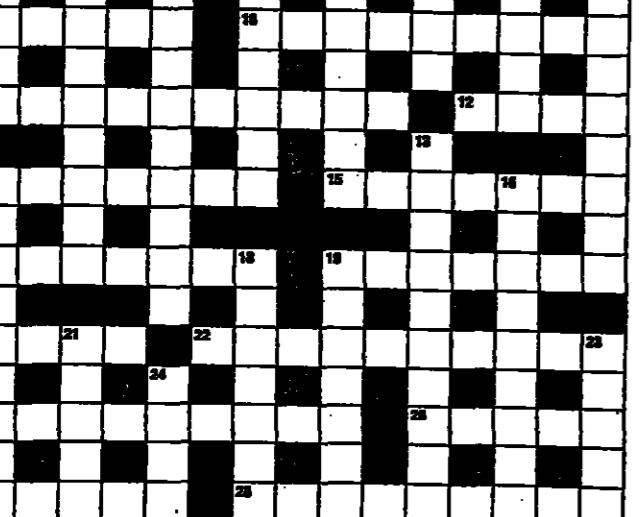
Table listing various unit trusts such as 'Aberdeen Unit Trust', 'Aberdeen Investment Fund', 'Aberdeen Income Fund', etc., with columns for name, manager, and other details.

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Table with columns for FT 30, FTSE 100, and WALL STREET, showing index values and dates.

CROSSWORD

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- ACROSS
1 and 6 Swain's super cultivation ends up a weed (9-5)
9 On reflection sailor discoverers ten is the quotient (5)
10 School doesn't start before principal displays aquatic plant (5-4)
11 I can resist everything except - (Wide) (10)
12 Support animal (4)
14 Fictional accepts bridge player is a clumsy person (7)
15 Section of matins has unfinished piece of music (7)
17 Form of greeting is endless with this number (7)
19 Boy at home with oriental girl (7)
20 Apprentice goes to expert for fabric (4)
27 Either way it's a doctrine (5)
28 Summer in France with sailors - find friend for ever (9)
DOWN
1 Odds on rodent getting a fish (5)
2 I'm sent tea to brew in this cafe (5)
3 Lol Or they go wrong with study of religious tenets (10)
4 Special care on hill - this could be nuclear (7)
5 Teacher to look in for some food (7)
6 Move film camera round west to see man on board (4)
7 Thread one's way through to meet magistrates (5)
8 Stamina shown by topless man on French river (9)
13 Many go to America in bath-chairs (10)
14 Sparkling diamond (5)
16 Type of joint seen world-wide (5)
18 True, I go to home counties to make profit (7)
19 Father allowed note to get artist's equipment (7)
21 Feature about a series of shops (5)
23 Those people carrying weight become strong (5)
24 Sparkling diamond (5)
The solution to last Saturday's prize puzzle will be published with names of winners on Saturday, October 15.

Main table of unit trust information, including columns for Unit Name, Manager, and various financial metrics like Net Assets, Units, and Prices.

GUIDE TO UNIT TRUST PRICING
The data included under the Authorised section of the FT Unit Trust Information Service is being prepared to improve the service to readers and to conform with new regulations.

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FT UNIT TRUST INFORMATION SERVICE

Handwritten note: 02/10/88

Main table containing unit trust information with columns for Name, Investment Objective, and other details. Includes sub-sections like 'INSURANCES' and 'OTHER UK UNIT TRUSTS'.

INSURANCES

OTHER UK UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

Table listing various FT Unit Trusts with columns for Name, Type, and other details. Includes sections for 'OTHER OFFSHORE FUNDS' and 'UNIT TRUST NOTES'.

LONDON SHARE SERVICE

Table listing London Share Service data, including British Funds, Foreign Bonds & Rails, and American shares. Includes sub-sections for 'BRITISH FUNDS', 'FOREIGN BONDS & RAILS', and 'AMERICANS'.

Table listing Money Market and Trust Funds data, including various bank accounts and fund performance metrics. Includes sub-sections for 'Money Market' and 'Trust Funds'.

LONDON SHARE SERVICE

AMERICANS - Contd

Table with columns: Stock, Price, Bid, Offer, Last, Dividend, Yield, Ex-Div, etc. Includes companies like American Express, American International Group, etc.

CANADIANS

Table with columns: Stock, Price, Bid, Offer, Last, Dividend, Yield, Ex-Div, etc. Includes companies like Alcan, Canadian National, etc.

BANKS, HP & LEASING

Table with columns: Stock, Price, Bid, Offer, Last, Dividend, Yield, Ex-Div, etc. Includes companies like Bank of America, Citicorp, etc.

Hire Purchase, Leasing, etc.

Table with columns: Stock, Price, Bid, Offer, Last, Dividend, Yield, Ex-Div, etc. Includes companies like Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

Table with columns: Stock, Price, Bid, Offer, Last, Dividend, Yield, Ex-Div, etc. Includes companies like Carlsberg, Heineken, etc.

BUILDING, TIMBER, ROADS

Table with columns: Stock, Price, Bid, Offer, Last, Dividend, Yield, Ex-Div, etc. Includes companies like Bovis Lend Lease, etc.

BUILDING, TIMBER, ROADS

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CHEMICALS, PLASTICS

Table with columns: Stock, Price, Bid, Offer, Last, Dividend, Yield, Ex-Div, etc. Includes companies like ICI, etc.

DRAPERY AND STORES

Table with columns: Stock, Price, Bid, Offer, Last, Dividend, Yield, Ex-Div, etc. Includes companies like Debenhams, etc.

BUILDING, TIMBER, ROADS

Table with columns: Stock, Price, Bid, Offer, Last, Dividend, Yield, Ex-Div, etc. Includes companies like Bovis Lend Lease, etc.

ELECTRICALS - Contd

Table with columns: Stock, Price, Bid, Offer, Last, Dividend, Yield, Ex-Div, etc. Includes companies like British Telecom, etc.

CHEMICALS, PLASTICS

Table with columns: Stock, Price, Bid, Offer, Last, Dividend, Yield, Ex-Div, etc. Includes companies like ICI, etc.

DRAPERY AND STORES

Table with columns: Stock, Price, Bid, Offer, Last, Dividend, Yield, Ex-Div, etc. Includes companies like Debenhams, etc.

BUILDING, TIMBER, ROADS

Table with columns: Stock, Price, Bid, Offer, Last, Dividend, Yield, Ex-Div, etc. Includes companies like Bovis Lend Lease, etc.

ENGINEERING - Contd

Table with columns: Stock, Price, Bid, Offer, Last, Dividend, Yield, Ex-Div, etc. Includes companies like BAE Systems, etc.

CHEMICALS, PLASTICS

Table with columns: Stock, Price, Bid, Offer, Last, Dividend, Yield, Ex-Div, etc. Includes companies like ICI, etc.

DRAPERY AND STORES

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BUILDING, TIMBER, ROADS

Table with columns: Stock, Price, Bid, Offer, Last, Dividend, Yield, Ex-Div, etc. Includes companies like Bovis Lend Lease, etc.

INDUSTRIALS (Misc.) - Contd

Table with columns: Stock, Price, Bid, Offer, Last, Dividend, Yield, Ex-Div, etc. Includes companies like British Airways, etc.

CHEMICALS, PLASTICS

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LONDON SHARE SERVICE

Handwritten note: 07/10/88

LEISURE - Contd

Table listing leisure companies with columns for Stock, Price, Div, Yld, Last, and Dividends.

PROPERTY

Table listing property companies with columns for Stock, Price, Div, Yld, Last, and Dividends.

TEXTILES - Contd

Table listing textile companies with columns for Stock, Price, Div, Yld, Last, and Dividends.

TRUSTS, FINANCE, LAND - Contd

Table listing trusts, finance, and land companies with columns for Stock, Price, Div, Yld, Last, and Dividends.

OIL AND GAS - Contd

Table listing oil and gas companies with columns for Stock, Price, Div, Yld, Last, and Dividends.

MINES - Contd

Table listing mines companies with columns for Stock, Price, Div, Yld, Last, and Dividends.

MOTORS, AIRCRAFT TRADES

Table listing motor and aircraft trade companies with columns for Stock, Price, Div, Yld, Last, and Dividends.

TOBACCO

Table listing tobacco companies with columns for Stock, Price, Div, Yld, Last, and Dividends.

TRUSTS, FINANCE, LAND

Table listing trusts, finance, and land companies with columns for Stock, Price, Div, Yld, Last, and Dividends.

OVERSEAS TRADERS

Table listing overseas traders with columns for Stock, Price, Div, Yld, Last, and Dividends.

PLANTATIONS

Table listing plantation companies with columns for Stock, Price, Div, Yld, Last, and Dividends.

MISCELLANEOUS

Table listing miscellaneous companies with columns for Stock, Price, Div, Yld, Last, and Dividends.

COMMERCIAL VEHICLES

Table listing commercial vehicle companies with columns for Stock, Price, Div, Yld, Last, and Dividends.

INVESTMENT TRUSTS

Table listing investment trusts with columns for Stock, Price, Div, Yld, Last, and Dividends.

FINANCE, LAND, ETC

Table listing finance, land, and other companies with columns for Stock, Price, Div, Yld, Last, and Dividends.

MINES

Table listing mines companies with columns for Stock, Price, Div, Yld, Last, and Dividends.

CENTRAL AFRICAN

Table listing central african companies with columns for Stock, Price, Div, Yld, Last, and Dividends.

THIRD MARKET

Table listing third market companies with columns for Stock, Price, Div, Yld, Last, and Dividends.

NEWSPAPERS, PUBLISHERS

Table listing newspaper and publisher companies with columns for Stock, Price, Div, Yld, Last, and Dividends.

SHIPPING

Table listing shipping companies with columns for Stock, Price, Div, Yld, Last, and Dividends.

OIL AND GAS

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DIAMOND AND PLATINUM

Table listing diamond and platinum companies with columns for Stock, Price, Div, Yld, Last, and Dividends.

FINANCE

Table listing finance companies with columns for Stock, Price, Div, Yld, Last, and Dividends.

REGIONAL & IRISH STOCKS

Table listing regional and Irish stocks with columns for Stock, Price, Div, Yld, Last, and Dividends.

PAPER, PRINTING, ADVERTISING

Table listing paper, printing, and advertising companies with columns for Stock, Price, Div, Yld, Last, and Dividends.

SHOES AND LEATHER

Table listing shoes and leather companies with columns for Stock, Price, Div, Yld, Last, and Dividends.

SOUTH AFRICANS

Table listing south african companies with columns for Stock, Price, Div, Yld, Last, and Dividends.

AUSTRALIANS

Table listing Australian companies with columns for Stock, Price, Div, Yld, Last, and Dividends.

IRISH

Table listing Irish companies with columns for Stock, Price, Div, Yld, Last, and Dividends.

TRADITIONAL OPTIONS

Table listing traditional options with columns for Stock, Price, Div, Yld, Last, and Dividends.

PROPERTY

Table listing property companies with columns for Stock, Price, Div, Yld, Last, and Dividends.

TEXTILES

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TRUSTS, FINANCE, LAND

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A selection of options traded is given on the London Stock Exchange Report Page

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Doubts surround the pound's trend

By Colin Millham

STERLING'S MAJOR trend is still up, according to Barclays de Zoete Wedd, and is a strong buy, heading for DM3.25 and \$1.71 to \$1.72.

This appears to be at odds with the view that the UK trade deficit will drag the currency lower, but follows news last Tuesday that the August current account deficit was \$1.31bn, against a record \$2.15bn in July.

BZW suggests that technical chart factors favour sterling. Based on the better trade data, and the fact that interest rates look set to stay at 12 p.c., there is a fundamental view that the pound is a low risk currency, according to BZW.

Other City observers are not so sure, about sterling's course. Mr Nick Parsons, at Union Discount, said he thought it unlikely sterling would move very far in the short term, remaining trapped between the prop of high interest rates, and the depressing factor of the trade deficit.

UK money supply and bank lending figures will be released on October 20, followed by the September trade data on October 27. These are the figures most likely to move the pound, and in the meantime little is expected to happen.

UK official reserves for September will be announced tomorrow, and are expected to have fallen slightly, reflecting Bank of England support for the pound earlier in the month. But the news is unlikely to provide any great movement on the exchanges.

The main news this week will probably centre on Friday's US employment data for September. The general level of forecasts suggests that unemployment will remain at 5.6 p.c. and that the rise in non-farm payrolls will be about 200,000 to 220,000, compared with 219,000 in August.

It was the lower than expected rise in August employment growth that led the market to believe the US economy is not overheating, and that the Federal Reserve does not need to tighten its credit policy.

When this figure was announced last month the prospects of higher US interest rates faded, and upward pressure on the dollar eased.

Providing that September employment growth is around the level of expectations there seems no reason to believe the dollar will suddenly surge upwards.

The central banks intervened together to sell the dollar last Monday, as Group of Seven finance ministers met in West Berlin.

The scale of intervention was modest, but was enough to cap a developing dollar rise,

and left the market in little doubt about the G7's commitment to stable exchange rates.

It may be a cynical view, but many observers believe the markets are happy to go along with a period of stability, if only to assist Mr George Bush in winning the US presidential election next month.

If the foreign exchanges do remain steady for the next month or so, starting seems to be a favourite currency for short-term investment, if only because it is better to be in a

stable currency yielding 12 p.c., than an equally stable one yielding 3 p.c.

September proved a reasonably good month for sterling, with the pound little changed against the dollar and firmer in terms of the D-Mark.

Sterling's exchange rate index closed at 75.9 on Friday, compared with 75.8 at the end of August.

This came as a relief to the City, where nervousness about the UK trade deficit and the growth in bank lending had

pushed the pound lower, and interest rates up, at the beginning of the month.

The key three-month inter-bank rate rose to 12 1/2 p.c. in early September as sterling weakened, but after some better than feared economic news, the three-month rate finished the month at under the present base rate level of 12 p.c.

The rise in August bank and building society lending (£44.4bn) was much lower than expected, and the August trade deficit was less than feared.

Long term forecasts: two years 9.2-9.4 per cent; three years 9.5-9.6 per cent; four years 9.8-9.9 per cent; five years 10.0-10.1 per cent. Short term rates are call for US Dollars and Japan Yen, other, two day rates.

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EURO-CURRENCY INTEREST RATES

Table with columns for currency (Sterling, US Dollar, etc.), term (3 months, 6 months, 12 months), and rate.

EXCHANGE CROSS RATES

Table with columns for currency (£, \$, DM, etc.), rate, and bank.

POUND SPOT-FORWARD AGAINST THE POUND

Table with columns for currency (US, Canada, etc.), term (1 month, 3 months, 6 months, 12 months), and rate.

DOLLAR SPOT-FORWARD AGAINST THE DOLLAR

Table with columns for currency (UK, France, etc.), term (1 month, 3 months, 6 months, 12 months), and rate.

MONEY RATES

Table with columns for currency (New York, London), term (Overnight, 1 month, 3 months, 6 months, 12 months), and rate.

LONDON MONEY RATES

Table with columns for currency (Eurobank, etc.), term (Overnight, 1 month, 3 months, 6 months, 12 months), and rate.

FT LONDON INTERBANK FIXING

Table with columns for currency (USD, GBP), term (3 months, 6 months), and rate.

BANK OF ENGLAND TREASURY BILL TENDER

Table with columns for currency (Billion offer, Total allocated), and rate.

WEEKLY CHANGE IN WORLD INTEREST RATES

Table with columns for location (London, New York, Tokyo, etc.), term (1 day, 1 month, 3 months, 6 months, 12 months), and change.

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

Large table with columns for National and Regional Markets, Thursday September 29 1988, Wednesday September 28 1988, Dollar Index, and Year Change.

Base values: Dec 31, 1986 = 100; Finland Dec 31, 1987 = 115.07 (US \$ Index), 90.79 (Pound Sterling) and 94.94 (Local). Copyright: The Financial Times, Goldman, Sachs & Co., Wood Mackenzie & Co. Ltd. 1987. CONSTITUENT CHANGE: Name change; X: Corporation to S: Security Corporation (UK).

EUROPEAN OPTIONS EXCHANGE

Table with columns for Series, Bid, Ask, Last, and Date.

LONDON RECENT ISSUES

Table with columns for Issue, Price, and Date.

FIXED INTEREST STOCKS

Table with columns for Issue, Price, and Date.

RIGHTS OFFERS

Table with columns for Issue, Price, and Date.

BASE LENDING RATES

Table with columns for Bank, Rate, and Term.

MONEY MARKETS

Bank poses question

THE BANK of England invited the London discount houses to use their borrowing facilities on Friday, at a rate of 12 p.c.

The market was technically short of funds, because of demand for money to meet end of the month and end of the quarter commitments it was reasonable for the authorities to offer borrowing facilities, as well as the usual help from bill purchases.

The question the market was left asking however, was whether the official action was purely technical, or whether it had a deeper meaning as far as interest rates are concerned.

It appeared to be a possible indication that the authorities are concerned about dealers becoming too euphoric following slightly better than expected UK trade figures.

There is also a question over whether the Bank of England is saying rates are too low by its action. It certainly appears to be an indication that rates will not fall from 12 p.c. in the foreseeable future.

This month's economic data may provide an answer. If the Bank of England believes interest rates will have to be increased again, it would not be in conflict with comments made last week by Mr Nigel Lawson, the Chancellor, that a depreciation of sterling was counter to the Government's anti-inflation policy.

UK clearing bank base lending rate

12 per cent from August 25 & 26

FT LONDON INTERBANK FIXING

USD 3 months US dollars 3 1/8 - 3 3/4

BANK OF ENGLAND TREASURY BILL TENDER

Billion offer 5000

WEEKLY CHANGE IN WORLD INTEREST RATES

Table with columns for location (London, New York, Tokyo, etc.), term (1 day, 1 month, 3 months, 6 months, 12 months), and change.

Euro Brokers Capital Markets Limited

commenced business on 1st October 1988

Adelaide House London Bridge, London EC4R 9EQ United Kingdom

Telephone: 01-626 2691 (Admin) 01-929 1744 (Dealers)

Fac: 01-626 3820 (Admin) 01-623 1137 (Dealers)

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Euro Brokers Capital Markets Limited

KENYA 25th Anniversary of Independence

The Financial Times proposes to publish this survey on: DECEMBER 12th

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ALLIANCE LEICESTER

Alliance & Leicester Building Society

£200,000 Floating Rate Notes due 1993

In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the three month period ending 28th December 1988 has been fixed at 12.125 per cent.

The interest accruing for such three month period will be £301.47 per £10,000 Bearer Note, and £301.69 per £10,000 Bearer Note, on 28th December 1988, against presentation of Coupon No. 1.

28th September, 1988

London Branch Agent Bank

WORLD STOCK MARKETS

CANADA

Table of Canadian stock market data including Toronto and Montreal indices, and a list of individual stock prices with their respective changes.

Table titled 'CLOSING PRICES SEPTEMBER 30' showing closing prices for various Canadian stocks.

INDICES

Table of international stock indices including Australia, Austria, Belgium, Denmark, Finland, France, Germany, Hong Kong, Italy, Japan, Korea, Netherlands, New Zealand, Norway, Singapore, South Africa, Spain, Sweden, Switzerland, and the World index.

TORONTO

Table of Toronto stock market data including the Toronto 300 index and a list of individual stock prices.

NEW YORK

Table of New York stock market data including the Dow Jones index and a list of individual stock prices.

CANADA

Table of Canadian stock market data including the Toronto 300 index and a list of individual stock prices.

NEW YORK ACTIVE STOCKS

Table of active New York stock market data including a list of individual stock prices.

TOKYO

Table of Tokyo stock market data including the Nikkei index and a list of individual stock prices.

BRISBANE

Table of Brisbane stock market data including a list of individual stock prices.

SYDNEY

Table of Sydney stock market data including a list of individual stock prices.

AUSTRALIA

Table of Australian stock market data including a list of individual stock prices.

INDONESIA

Table of Indonesian stock market data including a list of individual stock prices.

PHILIPPINES

Table of Philippine stock market data including a list of individual stock prices.

THAI

Table of Thai stock market data including a list of individual stock prices.

Table of Asian stock market data including indices for Hong Kong, Singapore, and other regional markets.

Table of European stock market data including indices for London, Frankfurt, and other regional markets.

Table of Latin American stock market data including indices for Mexico, Brazil, and other regional markets.

Table of Japanese stock market data including the Nikkei index and a list of individual stock prices.

Table of South African stock market data including a list of individual stock prices.

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NYSE COMPOSITE PRICES

Table of NYSE Composite Prices listing various stocks with columns for High, Low, Last, and Change.

OVER-THE-COUNTER

Table of Over-the-Counter prices listing various stocks with columns for High, Low, Last, and Change.

AMEX COMPOSITE PRICES

Table of AMEX Composite Prices listing various stocks with columns for High, Low, Last, and Change.

Table of AMEX Composite Prices listing various stocks with columns for High, Low, Last, and Change.

Notes explaining the data in the tables, including 'Sales figures are in millions' and 'Yearly high and low'.

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Advertisement for 'Travelling on Business?' offering complimentary copies of the Financial Times to readers in Madrid and Barcelona.

The Business Column

Why small can still be beautiful

Big is beautiful in high-technology. At least, it is in Japan, and would be in America if it were not for those infernal venture capitalists who tempt innovative engineers to desert corporate employers for supposedly greener pastures on their own.

In the US electronics industry (and, by implication in Britain and anywhere venture capitalism rears its head), this syndrome creates a proliferation of small enterprises with inadequate scale and financial staying power. In exchange, it robs stronger companies of some of their best talent.

That is the controversial thesis of Mr Clyde V. Prestowitz Jr, a former US Department of Commerce official in Tokyo, as expressed in Trading Places (Basic Books, New York) which is attracting considerable attention in America for its revealing inside account of US-Japanese trading negotiations.

Most of the book is a detailed indictment of alleged US government ineptness in the face of Japan Inc's ruthless industrial and trade strategy. But it also attacks America's obsession with smallness, which it blames on America's long-standing "cowboy spirit" of individual enterprise.

Mr Prestowitz sees this as a major part of the explanation behind the sudden decline over the past few years of the once-dominant US semiconductor industry, as well as the longer-term demise of machine tools and other sectors.

Populist simplicity and stark statistics

Whereas other exponents of the doctrine of scale deploy intricate economic arguments, Mr Prestowitz presents it with populist simplicity, laced with a few stark statistics.

He shows how Japan's NEC, with ultra-patient financial backing from its own shareholders (the sprawling Sumitomo group), could simply try to strengthen its position in semiconductors immeasurably during the early 1980s by spending over 12 per cent of its group sales on research and development, while producing consistently poor profits.

In semiconductors alone, NEC was at one stage spending a remarkable 50 per cent of sales on capital investment and R&D combined. Other Japanese companies were doing precisely the same.

By contrast the US semiconductor industry was spending only about eight per cent of sales on R&D, a rate which has contributed mightily to its competitive decline, according to its critics. Yet Mr Prestowitz calculates that this actually represented over half the industry's annual profit in several years; taking R&D and capital spending together, the industry frequently spent more than it was earning.

The lesson, he claims, is not just that US industry suffers internationally from an impatient stock market (and an excessive cost of capital), but that innovation is often best carried out within very large diverse corporations which can cross-finance between their wealth of activities. By contrast, the semiconductor companies of Silicon Valley, many of whom were spawned from each other by venture breakaways, are just too small to operate on their own.

Though Mr Prestowitz's argument clearly does have some force, it is questionable on several grounds, both specific and general. Silicon Valley's slide owes at least as much to inadequate quality management as to its members' relative lack of scale, while Japan's semiconductor surge has had more to do with step-by-step development than with real innovation.

As for his wider belief in bigness, he seems strangely ignorant of the long catalogue of problems which Western companies have experienced with the management of innovation and diversity - and which have spawned today's companionate fashions of relative smallness and/or focus.

Cultural and other factors may allow Japanese giants to combine entrepreneurship with scale, and even with diversity, but most of their Western competitors have yet to learn this tricky balancing act. In the meantime limited cross-company collaboration of the type now developing in Silicon Valley is preferable to the haphazard prescription of gargantuan takeovers.

Christopher Lorenz

THE MONDAY INTERVIEW

Law Lord of Luxembourg

Tim Dickson talks to Lord Mackenzie Stuart, President of the European Court

Asked about his most distressing experiences as a judge of the European Court over the last 15 years, Lord Mackenzie Stuart ponders a moment before replying. "They were," he declares, "when I was faced, as I frequently am, by examples of the abysmal ignorance on the part of even intelligent people in the member states as to what the court is really trying to do."

As one might expect of a 64-year-old Scot whose father was Professor of Law at Aberdeen University, Lord Mackenzie Stuart does not often mince words. But his harshest criticism tends to be aimed, as in the recent controversy over member states' failure to agree the composition of the next Luxembourg "bench", at those he sees playing national politics with a body which is now indisputably the EC's highest legal authority.

Appointed by Edward Heath as Britain's first jurist at the Luxembourg-based institution in 1973, Lord Mackenzie Stuart is about to retire as its President after five of the most dramatic years in the development of the EC. They have seen the court's ever greater popular attention, as the enforcer of equal retirement rights between the sexes and as an opponent of Europe's air transport cartel, and pass more firmly into anti-Common Market demography, after forcing Britain to levy VAT on a variety of goods and services.

"I take great comfort from the fact that the criticism of the court divides into those who say that we are not moving fast enough and those who say that we are moving much too fast," he says in his office at the court's futuristic headquarters on a hill about a mile from the centre of Luxembourg. "If you get two bodies of criticism that are 180 degrees opposed you are probably getting it about right," he suggests.

For an institution that permeates almost every aspect of the daily life of the Community's 29 million citizens, the European Court of Justice is surprisingly little understood. Its 13 judges, one traditionally from each member state with the 13th drawn in rotation from the larger countries, exercise jurisdiction over three categories of cases: national courts seeking preliminary rulings or interpretations of EC

law; cases brought against the decisions of Community institutions like the European Commission and the Council of Ministers by the member states; and cases brought against the member states for failing to apply EC law.

Witnesses seldom appear before the red-robed jurists in their awe-inspiring courtroom since the judges generally confine themselves to questions of law; their subsequent deliberations take place in a less intimidating private chamber and while discussions are no doubt often highly charged, the final judgment (read in the language of the case) is always unanimous.

Lord Mackenzie Stuart, a keen cross country skier and

player of *petanque* (the popular French game sometimes known as boules), has clearly relished his long "exile" in Luxembourg. From David Edward, the first British President of the Council of European Bars and Law Societies was quoted in the July issue of the New Law Journal as saying the soft-spoken Scot managed successfully to introduce British traditions of legal thought and practice to suspicious continental jurists and persuaded even more hostile British lawyers that the European Court was a suitable venue for the adjudication of important and politically sensitive disputes.

Lord Mackenzie Stuart nevertheless bristles at suggestions that the court itself is "political". He explains: "The court is not a political institution. Its job is to apply the law which is the result of political consensus. In this context I always think of my Dutch colleague, Judge Donner, who ages ago said to me: 'The court never gives political judgments,' and then added after one of his

characteristic pauses, 'But sometimes it does remind member states of the agreements they have come to'."

The clear temptation for member states to meddle in the court's work is hinted at in Lord Mackenzie Stuart's view that the European Court should adopt the model of the German Federal Constitutional Court where judges are appointed for 12 years (with no possibility of reappointment). At the moment the 13 judges have a six-year mandate which can be renewed.

"I think the six-year mandate is too short. Twelve years may seem a long time but the court needs continuity since it can take 18 months to two years to see through a single case. It would also avoid the situation where X or Y or Z fails to have his mandate renewed for reasons that are purely political and have nothing to do with the proper work of the court. There have been one or two occasions when we have lost a valued member for reasons which have seemed to me to be inadequate."

Many observers contrast what they see as the court's bolder attitudes in the earlier days of the Community when it often went beyond what was strictly speaking in the treaty - such as its decision in 1963 that individuals could claim EC rights in national courts - with a less robust approach today. Lord Mackenzie Stuart says comparisons are difficult, but he observes that "at the beginning there were a number of important legal decisions to be taken... the pros and cons were simpler and perhaps more readily understood."

"We are now, and have been for a decade or more, into the problems of the second phase of the Community: problems which are more subtle and which by their very nature require on the part of the court a more shadowed, nuanced approach. Inevitably I think this will continue. I don't see the court being faced as it was in the early days with a number of fundamental black or white, yes or no situations."

But will not the vagueness of the Single European Act - the reform of the Treaty of Rome which came into effect in 1987 and which Lord Mackenzie Stuart himself says is "curiously" drafted in many ways - require the court to adopt a different approach? "It is quite clear that there are ambigu-

PERSONAL FILE

1924 Born Aberdeen, Law degrees from Cambridge and Edinburgh Universities. Married with four daughters 1944 - 67 Served with Royal Engineers

1951 Admitted to Scottish Bar 1963 Queen's Counsel 1971 Appointed Sheriff Principal of Aberdeen, Kincardine and Banff 1972 Appointed Judge of the Court of Session 1973 - First British judge at the European Court

Americans fear fees based on results are excessive and may encourage unethical behaviour.

Contrary to public policy, though Lord Justice Buckley had some sympathy. The litigation lawyer's duty is to advise his client with a "clear eye and an unbiased judgment". Something was also said about the lawyer's duty to the court (Wallerstein v Moir (No.2) (1978) 1 AER 880).

In the other case, a bank guaranteed its customer's legal fees in an action against the Nigerian Central Bank on a letter of credit. The bank could not expect to recover any of the money owed to it by its customer unless the action was successful.

This was not an agreement to share the proceeds of the action, although it was "maintained" of the litigation. It had the nature of a contingency fee, but the Court of Appeal found that public policy need not prohibit the payment of legal costs where the person paying had a legitimate and genuine interest in the case (Trendix Trading Corp v Credit Suisse (1980) 3 AER 721). The bank was allowed to pay its customer's costs.

Americans frequently express disquiet about contingency fees. Like the UK judges, they fear that a fee based on results may encourage unethical behaviour. They also think that they are excessive.

Many connect them with the high level of jury awards of damages. Juries, it is said, add a large percentage to cover the contingency fee to their estimate of the true damages.

A report of the American Bar Association in 1984 concluded that contingency fees can be such that no knowledgeable lawyer would call them reasonable - a fee of \$383,244 for negotiating a settlement of \$1.5m, for example. A percentage fee fails to reflect either the cost to the lawyer or the value of the legal services provided.

The ABA recommended that the court should have power to review contingency fee agreements, but this would add a new field rich in potential disputes to the courts' existing work-load. Reported cases from the US have included, for instance, a dispute about whether a lawyer who withdrew from a case on ethical grounds was entitled to his fees.

The contingency fee is also ill adapted to cases where, instead of awarding the damages in one lump sum, they are ordered to be paid in periodic instalments.

The last word should go to an American lawyer, Robert White, who defined "contingent fee" thus in his Legal Dictionary: a "pay-only-if-you-win arrangement whereby your lawyer agrees to handle your case for a percentage of any damages recovered. The percentage is usually three quarters to nine tenths of the recovery - if your lawyer is asking less, he's performing an act of charity. A properly appreciative client will let the lawyer have the whole thing, plus a tip (15 per cent of the original claim would not be unreasonable)."



'If two bodies of criticism are 180 degrees opposed, you are probably getting it about right'

ties, even inconsistencies in the Single Act," he says. "But I am personally not too worried about those. What I am convinced is that there will be no question of holding back. The law of the communities has established a number of basic and fundamental rules and I cannot see that the court will water down those rules in any way as a result of the Single Act."

One issue causing growing concern in the run-up to 1992 is that of enforcement, highlighted by recent Commission statistics showing a rising number of cases where member states (notably Greece and Italy) have not implemented the Community law. Lord Mackenzie Stuart, however, suggests

that the problem is greatly overstated and misunderstood. Half the court's work, he explains, comes in the form of references from national courts ("We're simply an intermediate stage in the judicial process"), other cases put the Commission or the Council of Ministers in the "dock" ("it would be inconceivable for them to defy EC law"), while fines imposed for anti-dumping actions (where the court acts as a court of appeal) are recoverable through national debt collection procedures. "You are left with the very small percentage of our workload where we are asked to say that the actions of a member state are contrary to the treaty. There may be delays in putting our

decisions into effect - the parliamentary machinery in some member states is extremely cumbersome - but in all my experience there has been little trouble."

Lord Mackenzie Stuart is naturally enthusiastic about plans for the new so-called Court of First Instance, designed to reduce the court's fast growing case load and speed up decisions. He is nevertheless disappointed that, under pressure from the French Government and the European Commission, the Council of Ministers has decided to exclude anti-dumping appeals from the new court's remit. "These are a good example of the sort of cases which involve a vast

amount of facts and which would save the existing court a lot of time. By not agreeing to include them, the work of the new tribunal is to some extent going to be impaired."


"When I first arrived at the court we used to get the judgments out on 177 references (cases which come to us from a national court) within six months of the day they came in. It rarely went a week or two beyond this, but now it usually takes 14 to 15 months. I can't see us ever getting back to the happy days of six months but I would hope that, with the Court of First Instance, we will get it back to well under a year. Most member states should find that acceptable."

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RBC DOMINION SECURITIES INTERNATIONAL LIMITED

71 Queen Victoria Street, London EC4V 4DE
Tel: 01-489 1133 Tlx: 868011 Fax: 01-248 3940